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U.S.-SOVIET STRATEGIC ARMS COMPETITION DISCUSSED

Beijing MEIGUO YANJIU [AMERICAN STUDIES] in Chinese No 1, Spring 87 pp 79-95

[Article by Wu Zhan [0702 1455]: "Strategic Armes Competition Between the United States and the Soviet Union"]

I. The Power of Nuclear Weapons

At the end of World War II, the United States dropped two small atomic bombs in Japan, killing and injuring almost half of the 400,000 people of Hiroshima and Nagasaki. In the past 40 years or so, this type of weapon has made a great, complex, profound, and lasting influence on the world. After learning of its devastating power, people ran around making appeals and suggestions in an effort to prevent the disaster from repeating. Even the two superpowers--the United States and the Soviet Union--are holding one talk after another to limit nuclear weapons. But, all these efforts have failed to eliminate the threat posed by nuclear weapons on the civilization and existence of mankind. People cannot give up the knowledge of nuclear explosion. They cannot copy the fisherman in the "One Thousand and One Nights" who let a monster out of a bottle and tricked it into going back.

After the war, the US-Soviet relation became the major international contradiction. One of the problems was nuclear weapons. The United States had atomic bombs and the Soviets did not want to lag behind; therefore, in 1949, the Soviet also acquired them. a few years later, both sides managed to produce more powerful hydrogen bombs, namely thermonuclear weapons. Hence, the nuclear arms race. Britain, France, and China later also mastered nuclear weapons, but their weapons are insignificant in comparison to those of the United States and the Soviets.

The nuclear equivalent (Footnote 1) (This refers to the amount of TNT equivalent to the force of explosion) of the atomic bombs dropped in Japan was only 10,000 to 20,000 tons whereas hydrogen bombs range between hundreds of thousands of tons and several million tons, and the biggest ever made was over 10 million tons. The total amount of dynamite consumed in the World War II was less than 6 million tons. The United States and the Soviet Union now each have 25,000 to 28,000 nuclear bombs in varying sizes (including bombs and warheads), equivalent to approximately 7 to 8 billion tons of TNT. (Footnote

2) (The figures of nuclear bombs and equivalent in table 1 and 2 are calculated according to the data found in reference books)

A million-ton hydrogen bomb exploding above a large city can instantly kill and injure hundreds of thousands of people and throw into the sky thousands of tons of radioactive fragments and dust which will fall back to the ground and become life-threatening radioactive pollutants to an area of over 2,000 sq km. If many cities in a country are attacked by nuclear bombs, they will be unable to help each other and survivors will face famine and disease. As a result, the number of people who die slowly will be much higher than that of people who die instantly as a result of explosion.

Recently, a "nuclear winter" theory has appeared. If the United States and the Soviets explode nuclear bombs equivalent to 5 billion tons of TNT the small particles in the dust and smoke caused by the explosion will rise into upper sky, float above the earth, and block sunlight, thus reducing ground temperatures by 30 C to 50 C. The falling of the temperature may continue for 6 months to 1 year, creating global ecological crisis and causing most living things to die, crops to stop growing, and even mankind to face extinction. Some people say that the actual drop in temperatures will be only 10 C to 20 C, so it can only be called "nuclear autumn." Nevertheless, there will be a great decline in grain output throughout the world because of it.

The nuclear weapons with so much power play a very unusual role. They threaten peace, but to a certain extent they also maintain peace. Because both the United States and the Soviet Union are afraid to make any move for fear of the consequences of a nuclear war. They seem to be able to guarantee the safety of a country and yet they cause greater insecurity for no one can escape the destruction of a nuclear war. They look scary, but they often fail to scare people because everybody knows that this kind of weapon cannot be used easily.

II. Strategic Offense Weapons

There are offensive and defensive strategic weapons. Offensive strategic weapons include strategic bombers, intercontinental ballistic missiles, and the sea-launched ballistic missiles (Footnote 3) (The word ballistic means that a warhead flies along parabola like shells after the missile engine stops) of nuclear submarines. All these are long-range nuclear weapons and they are used to attack the rear area of the enemy to destroy their war potential. Some offensive strategic weapons that are used for short-range battles are also nuclear weapons, but we will not go into that in this article.

Strategic bombers can fly 10,000 km, but it will take them 10 hours because of their low speed. They were recently equipped with cruise missiles (Footnote 4) (Cruise missiles rely on the lift of missile wings to fly horizontally in the atmosphere and their firing range is close to 3,000 km) which can initiate attacks outside anti-aircraft firing range. There will be low-flying airplanes and invisible airplanes that cannot be detected by radars in the future. Intercontinental ballistic missiles are very fast. They can fly 10,000 km in 30 minutes. For safety, this kind of weapon is hidden in

hardened underground silos. Both the United States and the Soviet Union have now adopted the independently-targeted multiple-warheads technology and multiple warheads that can attack different targets with a deviation of only 200 to 300 meters. Since underground silos are no longer safe, both countries are now developing road- and rail-launched mobile missiles. Submarine-based sea-launch missiles are hard to detect, but their probability of a hit is low. U.S. sea-launched missiles are close to meeting the demand of hitting underground silos. The Soviets' progress is relatively slow in this regard.

The number of strategic weapons increased steadily in both countries between the 1950's and the 1960's, but later the focus of the arms race switched to quality, so changes in quantity were very small. The number of warheads has increased markedly, but the nuclear equivalent has declined substantially. As the probability of a hit increases, large nuclear warheads become unnecessary.

The number of nuclear bombs mentioned above is the sum total. If we calculate only offensive strategic weapons, then each side only has 10,000 to 12,000 nuclear bombs. How many nuclear bombs are needed to fight a nuclear war? Both the United States and the Soviet Union have 3,000 to 4,000 targets worth attacking including 1,000-plus underground silos, hundreds of cities, and many plants, oil fields, dams, power stations, bridges, and communications centers. If one nuclear bomb is used to attack one target, only a small percentage of the total will be used. However, that will be enough to basically destroy the United States or Russia. It would be exaggerating to say that existing nuclear weapons can destroy earth dozens of times, but it is not unfounded to say that they can destroy the United States and Russia several times. People refer to the excessive supply of nuclear weapons as "overkill."

Table 1. US and Soviet Strategic Offense Weapons and Medium-ranged Missiles

	Strategic Bombers		Intercontinental Ballistic Missiles		Sea-launched Missiles		Medium-ranged Missiles	
	Bombers	Bombs	Missiles	Warheads	Missiles	Warheads	Missiles	Warheads
US	341	4,000	1,020	2,200	648	5,800	320	320
Soviet	450	2,000	1,398	6,800	960	2,400	541	1,423

Note: The number of nuclear bombs is a rough estimate, and the figure of medium-ranged guided missiles includes 100 obsolete missiles that are to be dismantled.

Table 2: The Distribution of Tonnage of U.S. and Soviet Nuclear Weapons
(100 Million Tons)

	U.S.	Soviet
Intercontinental & Sea-Launched Ballistic Guided Missiles	15.2	43.3
Intercontinental Ballistic Missiles	12.2	36.2 (Heavy Style Accounts for 31.8)
Strategic Bombers	26.5	17.5
Medium-range & Tactical Missiles, Nuclear Bombs & General Nuclear Bombs	23.7	19.2
Total	65.4	80.0

The above table shows the general distribution of the tonnage of the United States and the Soviet Union. It shows that the tonnage of Soviet intercontinental ballistic missiles accounts for 45 percent of the total and 60 percent of strategic offensive weapons. Almost 90 percent of these missiles are heavy multiple-warheads missiles. This is why they are the trump card of the Soviet Union and why they can frighten the United States. Conversely, the Soviet Union is also afraid of U.S. strategic offensive weapons because their quality and probability of a hit are so far ahead that it cannot begin to catch up.

III. Strategic Defense Weapons

When there is offense, there always is defense. Strategic defensive weapons are the opposite of strategic offensive weapons, but the former will be conventional, not nuclear, weapons. (Footnote 5) (The United States has eliminated the nuclear weapons used in early air defense and missile defense systems. The Soviets may still have some left)

During the initial postwar period, strategic defense was directed mainly against bombers. Between the 1940's and the 1950's, the United States established a huge air defense system including warning radars, fighter planes, anti-aircraft missiles, and several semi-automatic air defense command systems which took 10 years and cost billions of dollars to build but later were seen as not very useful because they not only could not stop ballistic missiles but could be easily attacked by them. If ground radar and semi-automatic air defense command systems are destroyed, the whole air defense system will be paralyzed. Besides, the forces of Soviet fighter bombers are relatively weak and not worth so much effort to deal with. Therefore, since the late 1950's, the U.S. interest in air defense system has declined, and the U.S. air defense budget has been reduced continuously and remains a low level.

Contrary to the United States, the Soviet Union has always been very interested in air defense. It has increased its air defense investment year after year since the 1950's. It has now established an extensive air defense system. In order to penetrate Soviet air defense, the United States has deployed intercontinental ballistic missiles, air-to-ground missiles, electronic interference technology, etc. In 1965, the United States held that there was no need to worry about Soviet air defense, so it greatly reduced its investment for breaching air defense. After entering the 1980's, the United States felt that it was necessary again to make some efforts to deal with improved Soviet air defense. So, it began to deploy cruise missiles and new bombers, causing investment for penetrating air defense to increase sharply for the second time.

The second thing in strategic defense is to deal with ballistic missiles. The United States and the Soviet Union have been studying anti-ballistic missile weapons since the late 1950's. After over a decade, all they have come up with is an initial solution to the problem of launching land-based intercept missiles to destroy attacking warheads. In the early 1970's, the United States established a missile defense system to protect intercontinental missile launch facilities. The Soviets also established a missile defense system to protect Moscow. However, there is much to be desired in missile defense systems because many new measures have been adopted to penetrate air defense. For instance, attacking missiles can release multiple warheads and many phantom targets to confuse radars. Moreover, exposed ground radars can be easily attacked by warheads. For these reasons, the United States later did away with that system. But, the Soviet Union still has the Moscow missile defense system.

However, the two sides did not stop there. The United States continued to research for 10 years and made fairly good progress. In addition to improving the terminal defense that is to launch land-based intercepting missiles, the United States has also carried out research on a missile defense technology that is to deploy many space stations carrying weapons such as laser, particle beams, electromagnetic rail guns and missile interceptors to form two or three tiers of defense and to use information provided via satellite to destroy attacking warheads. The advantage of this system is that it can intercept enemy missiles as soon as they rise above the atmosphere (this is the best opportunity because warheads and phantom targets have not been released at this time) and that it can get around certain problems with radars. President Reagan gave a speech in March 1986, calling for research on new missile defense technology and referring to it as "Strategic Defense Initiative," namely SDI. (Footnote 6) (Space weapons are mainly used to guard against guided missiles, but they can also be used to guard against satellites. The Soviets once studied how to deploy nuclear weapons in space orbits, namely orbital weapons, and use them to attack ground, but that plan was later scrapped) The so-called "Star Wars" refers to the space weapons of SDI. SDI is now in the research stage, focusing on single-item technology, and cannot yet form an effective weapon system. The United States plans to complete feasibility studies by 1990. Terminal defense is the development of old technology and is relatively mature; therefore, it is possible to deploy it within this century. Whereas space missile defensive weapons have many

technical problems which by no means can be solved within this century except for launching space-based intercepting missiles, which might be possible. So, its deployment probably has to wait 20 to 30 years. Ground missile defense systems can be realized sooner, but because it is not very useful, the United States may not deploy it.

The Soviet Union has not only continued to improve Moscov's missile defense system but also carried out research on space weapons. Its experience has been similar to that of the United States.

Though immature, missile defense technology includes a variety of advanced technologies and most of them can be used in other fields. For instance, technologies and new materials such as advanced computers, integrated circuits, infrared technology, laser, precision automation, and artificial intelligence not only can be used to improve conventional weapons but also can be transferred for civilian use. Although such technology transfer is less desirable than direct investment for civilian use, multi-purpose investment does have its advantages. Especially in the United States, capitalists generally do not like to invest in technologies where many risks are involved; so business circles welcome military technologies that were originally developed with government investment and then transferred for civilian use. This is why Britain, West Germany, and Japan joined the SDI of the United States because they were afraid that they might lag behind in technology if they were left out of the program. The Soviets could not benefit from this kind of practice because its system is unfavorable for technology to be transferred from military to civilian use.

Space missile defense weapons are non-nuclear defense weapons, but because their deployment will militarize space and undermine the international rule of peaceful use of outer space, it will unavoidably cause the arms race to escalate and the international situation to worsen, thus resulting in the suspicion and rejection by the whole world.

IV. The Relation Between Offense and Defense

There was an ancient Chinese folktale discussing which was superior--spear or shield, and the conclusion was that they were about the same. However, as far as nuclear weapons are concerned, offense is much superior than defense because nuclear weapons are too powerful whereas defense can never be perfect and a large city can be destroyed if only one or two nuclear bombs are missed. Protecting missiles in underground silos can yield definite results because as long as some underground silos survive an attack, they can carry out counterattacks. Therefore, missile defense systems cannot protect cities but they can increase the survivability of strategic offensive weapons.

1. Nuclear Deterrence

After World War II, the nuclear strategy adopted by both superpowers--the United States and the Soviet Union--was nuclear deterrence, namely using nuclear power to scare the other side. Because of this, both sides tried their best to achieve nuclear superiority, creating round after round of nuclear arms race. The result is long-term balance of nuclear power between

the United States and the Soviet Union. Under the circumstances, neither side dares to start a nuclear war because it is bound to end in common ruin. We cannot but admit that nuclear deterrence is an important reason for the prevention of a world war in the past 40 years or so. However, nuclear weapons are not the only factor affecting war, people's will, economic interest, international relations, and war preparedness all play a definite role. For instance, during the initial postwar period, the United States had the monopoly of nuclear weapons and was implementing a "large-scale retaliation" nuclear strategy, but it did not start a nuclear war.

In the 1960's, since Soviet nuclear weapons gradually caught up with those of the United States in quantity, the United States changed its nuclear strategy to "mutual-assured destruction" which means in general that if you start a nuclear war, you will have to attack my nuclear weapons to prevent retaliation (first blow); and if what is left of my nuclear weapons still can cause your cities unbearable losses (second blow), you will not dare to attack me.

Since the nuclear weapons of both sides have attained the ability to "overkill," it has become increasingly difficult to fight a nuclear war. But, the military will always consider fighting such a war, so the United States put the concept of "flexible response" into "mutual-assured destruction." In other words, it divides the nuclear war into several levels. At the lowest level, one only attacks part of the nuclear forces of the other side, and the level can be upgraded according to circumstances up to the highest level--the global nuclear attack. If one side admits that it has lost at a certain level, there will be no need to escalate the war. In other words, if deterrence is useless, nuclear attacks will be carried out step by step. The purpose of doing so is trying to avoid a global nuclear war, but it is necessary to let the other side understand that the United States will consider fighting a nuclear war at the moment when its fate hangs in the balance, so that the other side will not do whatever he likes. This practice is unreliable because it is very hard to stop the war once it is started.

Using nuclear deterrence to protect peace and safety is somewhat effective, but the result is "terrified peace" and people still live under the threat of destruction. This kind of peace is not steady, and nuclear war still might occur. As a result, people naturally turn to anti-missile strategic defense. Unfortunately, such defense systems has always been a failure, and the chance of success is very slim in the near future.

As mentioned above, missile defense systems can somewhat protect intercontinental ballistic missiles and is therefore conducive to increasing the ability of nuclear deterrence, but whether the United States is willing to do so still remains a question. During the same year when he made the "Star Wars" speech, Reagan assigned a committee of outstanding experts headed by General Scowcroft to study issues on the modernization of U.S. strategic forces including whether or not underground silos are vulnerable to attack. The conclusion of the committee was that the strategic forces of the triad of bombers, nuclear missile submarines, and intercontinental ballistic missiles are still safe because the conditions of the three weapons vary so that they cannot be attacked all at the same time. If one kind of weapon is attacked, the other two kinds can counterattack; therefore, the question of

vulnerability does not exist. If so, why did the United States spend so much to protect intercontinental ballistic missiles? SDI is valuable only if it can be used to protect cities and resources.

2. Is SDI a Weapon To Attack Land?

Every weapon has two sides--offensive and defensive. Even a shield can be used to hit the enemy's head. The main purpose of space weapons is to attack incoming warheads. At first glance, they seem to be able to attack land or even control all battlefields on earth because they are at a commanding height. But, after analyzing carefully, we will find out that the issue is not so simple. Nuclear warheads flying in outer space have no air resistance and are vulnerable themselves. Even so, the power and other technical performance of space weapons still cannot meet the requirements of destroying warheads.

When space weapons attack land, they are largely affected by the atmosphere. So, it is very difficult to achieve the desired results. Laser and particle beam weapons are generally referred to as beam weapons. Take laser weapons for example. Laser beams can weaken and miss the target even on a clear day. If there is cloud or fog, laser will not be able to penetrate it. If the particles of particle beam weapons are charged, they will dissipate because like electric charges repel each other; if they are not charged, they will become charged after colliding with air molecules and quickly dissipate. As a result, after passing through the atmosphere, the destructive power of laser and particle beams will be substantially reduced; whereas most ground targets are more solid than warheads, therefore, the destructive power must be increased. This reduction and increase have made it impossible to hit ground targets with weapons that are designed to hit warheads. If they are to be used to hit ground targets, their power has to be increased, thereby increasing the cost of production.

Another kind of space weapon is kinetic energy weapons including shells shot from electromagnetic rail guns and intercept missiles launched from space. Relying on built-in infrared aiming, they can hit the target by pursuing the heat sources of missiles or warheads. However, after entering the atmosphere, they are bound to have high temperatures on their surface due to the friction with the atmosphere and lose the ability to trace external heat sources. And, due to aerodynamic effects, their trajectory will unavoidably change significantly, thereby markedly reducing the probability of a hit. So, this method is not good either.

If the above weapons are used to attack ground targets, they can only make a hole in the target or at most cause a fire. Compared to nuclear weapons, their power is much too small. Nuclear weapons do not need to hit the target and they can cause damage to a wide area. Nuclear weapons deployed in space may yield good results, but compared to strategic offensive weapons, they have no strong points. Besides, they will be exposed and thus vulnerable to attack. Why would anybody spend so much money to seek far and wide for what lies close at hand? Some people argue that SDI can play a double role. The problem is that to attack land, SDI investment must be increased and all we get is to make SDI play a supplementary role in attacking ground targets. In

addition, since space stations can only carry so much fuel and ammunition, if they are all consumed on ground targets, SDI will not be able to carry out the missile defense task. In sum, it is not a good idea to use SDI to attack ground targets.

3. Soviet Reaction to SDI

The Soviet Union has offered actively responded to the SDI of the United States. The Soviet Union is conducting research on space weapons and has scored preliminary achievements in the counter-satellite satellite system, but it is very reluctant to vie for superiority in the "Star Wars." Soviet gross national income is in fact slightly less than a half of that of the United States. To deploy as many strategic weapons as the United States, the percentage of their costs in GNP must double that of the United States not to mention that Soviet S&T level is lower than the of the United States. Because of this, the Soviets would feel twice the pinch. Currently, Soviet economy is not very good and the growth rate of its production is declining year after year. Without a strong economy, they cannot even vie for a tie with the United States. How can they win? Because of this, the focus of their present work is to improve the economic situation as soon as possible whereas the arms race, especially costly space weapons, have become a heavy burden and thus must be reduced as soon as possible.

The United States also agrees to reduce strategic offensive weapons and especially hopes to reduce Soviet heavy multiple-warheads missiles, but it insists on continuing SDI studies because it wants to use Soviet shortcomings to create a guns-or-butter dilemma for the Soviets.

In view of the U.S. attitude, the Soviets threaten to adopt countermeasures. In other words, they will respond in both fields--strategic offense and defense. What can they do in regard to strategic offensive weapons? Nothing except for increasing quantity and improving quality. Increasing quantity is the stupidest thing to do, but replacing damaged warheads to maintain the existing attack force is also the most intimidating thing to do.

According to SDI design, three tiers of defense should be deployed. Each tier can destroy 90 percent of attacking warheads and three tiers altogether can destroy 99.9 percent. If so, the Soviets have to increase their warheads by 1,000-fold in order to maintain the current attack force. This is of course impossible, and the United States probably cannot attain the high interception rate either for the time being. If the interception rate is reduced to 50 percent at each tier, after three tiers each destroy 50 percent of warheads, 12.5 percent will be missed. It is conceivable to reach this rate through efforts. If not, the United States probably will not deploy the system. But, if the Soviet Union is to maintain its attack force, it has to have eight times as many warheads as it does now. This of course is also unrealistic. It is thus clear that the countermeasure of simply increasing quantity is not desirable. Increasing nuclear weapons by a large number not only is difficult economically but also may cause serious problems politically. The Soviet Union probably will not make such a bad move.

The United States once brought up a theory saying that the missile defense system inevitably forces the other side to increase the number of missiles and that limiting missiles is impossible unless the missile defense system is limited first. The United States tried to make the Soviets accept this theory and use it as a basis for signing the "Anti-Ballistic Missile Treaty" in 1972. In my opinion, this theory does not necessarily conform to reality. After the United States dismantled its missile defense system, the Soviet Union still kept and continued to improve its Moscow missile defense system. The United States did not increase the number of missiles because of this though it did not reach the limit agreed upon by both parties. So is the case with bombers. In spite of the fact that the Soviet Union has continued to build its air defense system, the United States, instead of increasing the number of planes, has mainly relied on improving the defense penetration ability of offensive weapons to offset Soviet defenses.

We have now switched to the second countermeasure, namely improving quality or increasing defense penetrating ability. Such countermeasures may include the following: reducing the running time of engines to reduce the probability of being intercepted before releasing warheads; making missiles and warheads spin so the laser will not focus at one point continuously; using coating on the outside to reduce the antipersonnel power of laser and other beams; developing phantom targets to confuse radars and optical or infrared detectors; planting space mines in space to destroy SDI weapons; and many more. There also is another method; that is to use anti-satellite weapons to directly attack the "Star Wars" system. Since space weapons are in the open all year round, they are more vulnerable than underground silos or nuclear submarines. This can be considered as a defense penetrating measure because offensive missiles can break through if part of the space weapons are destroyed.

It looks like improving the quality of missiles and increasing defense penetrating ability is the most effective and worthwhile measure. The United States may also adopt countermeasures to prevent Soviet measures from becoming a complete success, but the Soviet Union is more likely to rely on this method. We cannot rule out the possibility of the Soviet Union increasing the number of offensive missiles. But, even if it does, the increase will not be significant.

How will the Soviet Union react in regard to defense? The United States will deploy SDI only when it has become quite efficient (including the ability to penetrate Soviet defense). Once it is deployed, the Soviet Union will be at a disadvantage if it is content with simply increasing the offensive capability and fails to build a defensive system because the United States can initiate a nuclear attack anytime without obstruction while Soviet counterattacks must face the fire interception of SDI. The United States can attack the enemy and defend itself while the Soviet Union can only attack and not defend; therefore, as long as the former insists on SDI, the latter will have to keep up with the former in defensive systems. Otherwise, there is no doubt that the Soviets will be at a disadvantage.

Unlike the United States, the Soviets cannot ignore the air defense system and construct only a missile defense system. To the Soviets, missile threat is not a secondary issue. Although the Soviets has said that it will use defense penetrating measures to deal with SDI and that their costs will be several times lower than SDI, I do not believe that they would give up missile defense system because of this. Otherwise, why are they so nervous about SDI?

V. Strategic Arms Talks

In 1972 after prolonged negotiations, the United States and the Soviet Union signed a temporary agreement on freezing the number of strategic missiles, and an anti-ballistic missile treaty. In 1979, they signed another strategic offensive weapon limitation treaty to put a ceiling on the total number of such weapons, the number of multiple-warheads missiles, cruise missiles, and bombers, and the number of heavy multiple-warheads missiles. Due to the Soviet invasion of Afghanistan, the U.S. congress did not approve this treaty. However, both parties have actually observed the treaty. (Footnote 7) ((Recently, the United States deployed the 131st cruise missile bomber, exceeding the ceiling on the section II mentioned above. The President Reagan of the United States announced that the United States will not observe the Strategic Offensive Weapons Limitation Treaty because the Soviets has already destroyed the treaty. The Soviets denied it flatly.) The above talks were about freezing the number of existing weapons. Later, when they talked about reduction, they had more difficulties. The crux of the problem is that in addition to the issue of medium-range missiles, the United States demands substantial reductions in heavy multiple-warheads missiles while the Soviets want SDI to stop.

Since last year, the Soviets have conceded on several occasions and agreed to reduce strategic offensive weapons to 50 percent on the condition that SDI be stopped. But, the United States insists on continuing SDI, saying that it is engaged in research and thus does not contradict the ABM treaty which prohibits development, testing, and deployment. Later, the Soviets agreed that it was permissible to carry out research in laboratories, but the United States insisted on experimenting in space.

Intermediate-range missiles are not strategic weapons, but they affect talks. The Soviets deployed 441 SS-20 missiles with three warheads which can be used to attack all of Europe and Asia, thus causing panic in Western Europe. The United States does not have such weapons. Britain and France have some, but their quality is poor and their quantity is small. Because of this, West Europe asked the United States to talk to the Soviet Union on their behalf to have the SS-20 removed. If that failed, West Europe would let the United States deploy similar missiles in West Europe. The Soviet Union first refused to remove them but later agreed to reduce their number to the number of Intermediate-range missiles owned by Britain and France. Since Britain and France refused to link their weapons to U.S. and Soviet weapons, the talks came to a deadlock and the United States began deployment. The Soviet Union was furious and withdrew from all talks. Later, it agreed not to link Britain's and France's weapons but demanded that SDI be stopped.

Recently, the Soviet Union conceded again, saying that intermediate-range missiles may not be conditioned by SDI, agreeing to remove 270 SS-20 missiles from Europe, and allowing the Soviet Union and the United States to each keep 100 Intermediate-range missile warheads in Asia and the United States respectively. This way, in spite of the fact that West Europe still has doubts about U.S. removal of intermediate-range missiles (for fear of Soviet short-range missiles) and that the Soviet Union and the United States still disagree on concrete terms, it is possible for both sides to reach an agreement on intermediate-range missiles within a certain period.

U.S. and Soviet strategic arms talks still have many problems. Reaching an agreement is not that easy in spite of the fact that both sides are willing to compromise. The Soviets are anxious to cut military spending and speed up economic construction. They especially want to put a strict limit on the costly project of space weapons. Because of this, it has done all it can to bring up a series of conspicuous arms reduction proposals. These proposals to a certain degree conform to the global desire for peace, thus putting the United States in a fairly passive position. However, the United States knows the sore spot of the Soviet Union and therefore insists on using SDI to force the other side to make the largest concession. Besides, the U.S. military and business circles do not want to stop such research either.

The deployment of SDI cannot be realized in the near future, but its research has received broad support in the United States; therefore, it cannot stop. President Reagan of the United States is now in a terrible fix due to domestic political and economic problems, and his term is almost over; so, it is hard for him to accomplish much of anything. In order to make the United States compromise, Gorbachev, the Secretary General of the Soviet Union, has made great concessions. If he continues to, he probably will face strong objections from the military and hardliners; therefore, he does not have much room to turn around either. It looks like that the two probably cannot reach an agreement anytime soon.

VI. Prospects on Future Talks

Eliminating all nuclear weapons is a fair demand as well as a glorious wish of all people in the world. No matter how effective nuclear deterrence is, as long as such large-scale destructive weapons exist in large numbers, mankind is subject to the danger of great calamity. The two super powers, the United States and the Soviet Union, are now fighting bitterly for global superiority and, because of this, is carrying out a nuclear arms race. As long as they are needed by both parties, nuclear weapons cannot be eliminated. Judged from history, a weapon can never be eliminated as long as it is needed unless it is replaced by a better one. The reason why bows, arrows, swords, and spears were eliminated is because more powerful guns and cannons were invented. In the 12th Century, Roman Pontiff Innocent held that the antipersonnel power of a newly invented crossbow was too great, so he issued an order declaring that it was "detested by God" and prohibited its use. But, the pontiff's authority could not stop the spread of the crossbow. Weapons cannot be eliminated through subjective desire, but their number can be adjusted according to actual conditions.

Several years from now, the limitation and reduction of nuclear and space weapons probably will come about.

1. Reducing strategic offensive weapons by 50 percent is possible and logical. Because, on the one hand, both parties, especially the Soviets, hope to reduce on certain conditions the heavy burden of military spendings; on the other hand, the number of strategic offensive weapons they possess have already reached the level of "overkill" and is enough to destroy each other several times. In other words, they have too many already, and increasing the number will not do any good while reducing it by one half will not affect the ability to destroy each other. Judged by this, arms reduction is not inconceivable.

2. Most intermediate-range missiles may be removed. The role played by SS-20's is insignificant in the U.S.-Soviet nuclear confrontation. It can threaten Western European and Asian countries but cannot reach the United States. U.S. deployment of intermediate-range missiles in Western Europe is very unfavorable to the Soviets. If the United States uses such weapons to attack the Soviets, the latter can only fight back with strategic offensive weapons which will cause the former to retaliate with the same method; therefore, it is hard for the Soviets to make up its mind. It looks like that the best method for the Soviets is to agree to remove intermediate-range missiles because it still has superior conventional forces and large numbers of short-range missiles which are more than enough to take care of Western Europe. This is why Western European countries first wanted the United States to talk to the Soviet Union about removing SS-20's and were later unhappy when the removal really took place. Short-range missiles can be used to attack West Europe from East Europe whereas similar weapons deployed in West Europe by West Europe and the United States cannot reach the Soviet Union; neither could their tactical bombers break through Soviet air defense. The removal of intermediate-range missiles mainly refers to those deployed in Europe. As for those SS-20's deployed in Asia, the Soviets will try in a thousand and one ways to reserve some to use as a card to put pressure on Japan and China.

3. The contradiction of SDI lies on how to explain the ABM treaty. Research, development, and testing are the three phases of developing new weapons. Research is to find out the feasibility of new technology. To do so, testing must be carried out in laboratories, proving grounds, and even space. Development is to design and trial-produce the original and experimental prototypes of weapon. This process of course also includes different testing. The third phase is testing, namely taking all trial-produced weapon systems to proving grounds and carrying out near-combat firing experiments. These three phases are interrelated but can be distinguished basically. The ABM treaty does not prohibit research, but it does not have a clear explanation of the issue on testing.

If it permits carrying out certain space tests during research, the problem will be readily solved. Usually, existing equipment can be used after some improvements for the testing of research whereas only specially designed new equipment can be used for that of development. The difference between the two can be easily verified with modern methods. However, when it comes to some new technologies such as lasers, no existing equipment can be used, everything must be new. But, their functions must not be close to the descriptions of

weapons, otherwise, they will become original prototypes. So, it is possible to write out some clauses concerning the restrictions of new equipment. The United States and the Soviets will make different explanations of such clauses during their contradiction, and some tests of development will be explained as those of research. But, as long as the testing of whole system and deployment are blocked, the basic purpose is achieved.

Space weapons can indeed undermine the peaceful use of space. But because they cannot possibly be deployed in the next 2 to 3 decades, they do not constitute a threat for the near future. (Footnote 8) (The Defense Department of the United States recently proposed that ground- and space-launched intercepting missiles be deployed first in the 1990's. Because their speed is slow, it is difficult for them to destroy the enemy missiles within a short period of time before the release of warheads. Since the probability of interception after the release is not high either, many warheads will be missed. It looks like that the United States will not necessarily do so) Under current international conditions, it is impossible to stop the development of such weapons and technologies unless they are proven to be infeasible. It is not that the Soviets does not want to develop space weapons, it is just that they do not want to get involved in races that cost too much money. If this is true, there should be no problem for both sides to agree to carry out researches in this regard and various testings of research (including space-based) without entering the phase of development in the next decade or so. In fact, (kaerpofu), former head of the Soviet delegation for arms control talks, has stated unofficially that researches may not be limited to laboratories. The hubbub around SDI is caused to a certain extent by public opinions. People have overestimated the functions and practicality of SDI. They may calm down after a period of time (perhaps several years). The United States will realize the impracticality of SDI and thus will not increase or may even reduce investment. The Soviets will make further compromise due to their anxiety to reduce military spending. As for the missile defense system that launches missiles from ground to intercept missiles, it can be developed and deployed in accordance with the stipulations of the treaty, on which both sides have no disagreement.

4. The anti-nuclear movement has played a role in promoting disarmament. Large-scale destructive nuclear weapons and nuclear war are unanimously opposed by almost all the people in the world. People rise to protect peace, demanding that the United States and the Soviets be the first to make substantial reductions in nuclear armament. People involved in this movement have all sorts of ideas, cultural and social backgrounds, and completely different motives and aims; therefore, it is impossible for them to take coordinated and effective actions. Nevertheless, their struggle has put great pressure on the superpowers for disarmament.

The above four inferences have put optimistic colors on the future of nuclear disarmament, but it by no means indicates that the U.S.-Soviet agreement can be reached easily. There are so-called essential and adequate conditions in the science of logic. If above inferences are correct, we can only say that we now have some essential conditions. To satisfy the adequate conditions of large-scale nuclear disarmament, we must solve the following questions:

A. Work out, amid the acute U.S.-Soviet competition for military superiority, detailed compromise methods for large-scale nuclear disarmament and space weapon limitations that are acceptable to both sides.

B. Alleviate domestic contradictions between different interest groups--especially between the military and industry--on the issue of nuclear disarmament for both the United States and the Soviets.

C. Eliminate differences between the United States and the Soviets and their allies on the issue of nuclear disarmament, especially Western European countries that worry about the threat of tactical weapons and conventional forces in which the Soviets have an advantage after the removal of U.S. intermediate-range missiles.

Solving these issues takes time; therefore, negotiations will not succeed immediately even though there are some conditions favorable to nuclear disarmament. At present, neither side has said anything definite, always leaving some leeway for the negotiations. It looks like that after a prolonged period of deliberations and intensive bargaining, it is possible for the United States and the Soviets to reach an agreement on substantial reductions in nuclear weapons.

Reaching such an agreement of course does not mean that nuclear weapons will soon disappear from history. In the future, U.S. and Soviet nuclear weapons may be much less than today's in numbers but better in quality. The total number of warheads may increase but their tonnage will decrease. One of the reasons is that the tonnage may be lower after the probability of a hit is increased. Another reason is that the explosion efficiency of small warheads is lower than that of large warheads, so when a large warhead is replaced with several smaller warheads, the total weight will remain the same, but the total nuclear equivalent will be decreased. For a fairly long period of time, nuclear deterrence will continue to play the main role in nuclear strategy, and strategic defense can only play a supplementary role.

Let us wait and see how things develop in the future!

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RENMIN RIBAO DISCUSSES INITIAL STAGE OF SOCIALISM

HK310855 Beijing RENMIN RIBAO in Chinese 24 Jul 87 p 5

[Article by Xue Hanwei (5641 3342 0251): "Several Opinions on the Initial Stage of Socialism in China"]

[Text] Recently many comrades have been studying the practice and theory of the initial stage of socialism in China. This is a very important thing. China is still in the initial stage of socialism, which is the most important national condition. All basic problems in China's socialist construction must be correctly solved on this basis. Profoundly studying China's national conditions and making scientific exposition of all aspects of the initial stage of China's socialism is an important task confronting China's theoretical circles.

I

The new concept of the initial stage of socialism was proposed by our party after summing up the historical experiences in socialist construction. Since the establishment of the PRC, China's socialist construction has achieved great results and also suffered serious setbacks. If we say the reason why the results we achieved could not be achieved by the old China lies in the fact that we adhered to the socialist road, then the reason for our setbacks, as viewed from the guiding thinking, lies essentially in our failure to make a practical judgment of the developmental stage of China's society. For a long time, we treated the general law of the development stage of communism, framed by Marx based on countries where capitalism and commodity economy were developed, as a specific pattern of building socialism after the victory of revolution in an economically and culturally underdeveloped country like China. And we treated developing productive forces and transforming the relations of production too simply, believing that we could soon build socialism and enter communism. The mistake of premature advance by leapfrogging some necessary stages was thus unavoidable. In 1958 we proposed building socialism in advance and gradually moving to communism, and stirred up a "communist wind." During the "Cultural Revolution," we even called for restricting commodity production and distribution according to work in the present stage. Meanwhile, after the country basically fulfilled

industrialization, we did not immediately realize that the highly concentrated system that once played an active role in the transitional period should be reformed. After establishment of the socialist system, we failed to resolutely shift the focus of our work, but lumped together the main contradiction in the socialist society and that in the transition period, and put forward the slogan of "treating class struggle as the key link."

These two mistakes resulted from being divorced from the most important national condition—that China is still in the initial stage of socialism. The first mistake outstripped China's development stage, and the second lagged behind it. But they were interlinked in both theory and practice. One traditional idea holds that in building socialism in an economically backward country, it is possible to skip the stage of full development of commodity economy and to directly move to communism. So we treated invigorating enterprises and developing commodity economy as a "capitalist road" running counter to communist direction. And the traditional weapon of "class struggle" was thus used as a magic weapon to obstruct the "capitalist" road. Consequently, "leftist" mistakes were not corrected for a long time.

The 3d Plenary Session of the 11th CPC Central Committee re-established the ideological line of seeking truth from facts and proceeding from reality in doing everything. This has paved way for correctly summing up historical experiences and thoroughly understanding China's national conditions. In 1981, after several years of bringing order out of chaos, the CPC Central Committee proposed in "The Resolution on Several Questions in the History of the Party Since the Establishment of the PRC" the thesis that China is still in the initial stage of socialism. Along with development of the modernization drive and the in-depth development of the economic structural reform, people have realized more and more deeply the importance and correctness of this thesis. The initial stage of socialism is the basic problem and concept of the theory on building socialism with Chinese characteristics.

The putting forth of the initial stage of socialism indicates the deepening of our party's understanding of China's national conditions and the law of social development. China's national conditions are extremely complicated. To correctly understand them, it is not enough just to enumerate facts, we should have the aid of theoretical abstraction. Here, the most important thing is to have a clear idea of the nature of the current society and of the stage of its development, and to form a corresponding scientific concept. The concept of the initial stage of socialism correctly summarizes China's basic national conditions in the present stage and points out the development stage of China's socialist society. If affirming the semicolonial and semifeudal nature of old China was a starting point for exploring the law of the Chinese revolution, then affirming that China is still in the initial stage of socialism is the starting point for exploring the law of building socialism with Chinese characteristics.

II

What does the initial stage of socialism mean? Generally speaking, the socialist society of any country should go through several stages. And the first stage can be called the initial stage. However, in building the socialist system, due to the different levels of economic and cultural development in different countries, so the level and form of public ownership of the means of production, and economic, social, and political structure are inevitably different. This decides that they will not go through the same development stage. The implication of the initial stage of China's socialism does not merely mean the first stage in the sequence of development which people generally refer to, but mainly means a special development stage in the socialism society in terms of the degree of maturity in an economically and culturally underdeveloped country like China.

On the one hand, the concept of the initial stage of socialism reflects the general quality of socialism and indicates that China has entered the socialist society and is no longer in the transitional period. On the other hand, it also reflects the special nature of China's socialist society at the present stage and shows that it has not yet reached a high level of maturity. This speciality is mainly reflected in the following two fields.

1. China's socialist system was built on the basis of underdeveloped productive forces and commodity economy. After more than 30 years of efforts, China has established a relatively sound industrial system and national economy system. However, on the whole, our economic development level is much lower than that of developed countries. The initial stage of socialism is of course not our ideal socialist society, but is a development stage that China's socialist society must go through. Only by clearly understanding the scope decided and allowed by China's backward economy, can we take a practical attitude in socialist construction at the present stage, guard against impatience, and carry on our work in a down-to-earth manner.

2. A socialist system built on this basis could not be mature. Just as "The Resolution on Some Questions in the History of the Party Since the Establishment of the PRC" made by the CPC Central Committee pointed out: "It will certainly be a long process for our relatively unsound socialist system to become a relatively sound one." The "sound", or "unsound" socialist system people talk about usually has two implications. These two implications are relative to two different criteria. One criterion is whether a mature socialism is achieved under the system. The other is whether the system meets the needs of the development of productive forces. These two kinds of soundness and unsoundness are not the same. The unsoundness of the first implication is decided by the level of economic and cultural development, and people cannot raise too high a demand on perfecting the socialist system by separating themselves from this reality. The unsoundness of the second

implication mainly means that the defects in China's structure must be corrected by conducting economic and political structural reform. Our previous mistake was that we sought the first "soundness" regardless of our economic and cultural level, and did not understand that our urgent task was to fulfill the second "soundness." Consequently, we treated many things that should be allowed to exist and must exist and that would still exist when a mature socialism is built as forces alien to socialism and eliminated and restricted them. We also treated many things that should not exist and which hamper the development of productive forces as essential characteristics of the socialist society at the present stage and did our best to advocate and protect them.

III

Our party has long pointed out that the main contradiction China should solve after the establishment of the socialist system is the contradiction between people's increasing material and cultural demands and backward social production. I hold that this contradiction is in fact the main contradiction in the initial stage of socialism. To solve this contradiction, our fundamental task is to develop social productive forces as quickly as possible and to treat developing productive forces as the central task of all our work.

True, the contradiction of social production lagging behind people's needs usually exists in the whole process of socialist society. However, the "backwardness" we talk about in referring to the main contradiction of the socialist society in the present stage obviously does not imply the general meaning, but implies the following two meanings: 1) The "backwardness" is compared to that of a developed country. 2) The "backwardness" is compared to the material foundation needed in bringing into full play the advantages of the socialist system. It is precisely the contradiction between the "backward" social production in these two senses and people's increasingly high material and cultural needs that constitutes the main contradiction of the initial stage of China's socialism. The development of China's socialism and the full exploitation of its advantages hinges on gradually solving this main contradiction. At the present stage, we must first get rid of poverty and become comparatively well-off. This is an objective requirement for the development of the initial stage of China's socialism and people's urgent desire.

Comrade Deng Xiaoping recently pointed out: We must adhere to socialism. However, to build socialism that is superior to capitalism, we must first get rid of poor socialism. We are now building socialism, but only when we reach the level of a medium developed country by mid-21st century, can we justly and forcefully say socialism is superior to capitalism and can we say we are truly building socialism. These remarks are really important. When talking about the advantages of socialism, we should not forget that China is still in the initial stage of socialism. Poverty and the rigid structure that hinders us from

getting rid of poverty are not the reflection of socialist advantages. At the present stage, the main reflection of the advantages of China's socialist system should be that we can rapidly get rid of poverty and underdeveloped economy, become comparatively well-off, and build modernization. To this end, we must uphold the four cardinal principles and adhere to the general policy of reform, opening up and economic invigoration. There is no other way. Any "leftist" or rightist deviations running counter to the socialist road and to the general policy of reform, opening up, and economic invigoration would hinder us in getting rid of poverty and becoming comparatively well-off, or even cause chaos and retrogression. They should therefore be resolutely opposed. Whether it is helpful to us in getting rid of poverty and becoming comparatively well-off should become a main yardstick to distinguish between right and wrong and to handling various contradictions.

IV

The initial stage of China's socialism has characteristics that are not totally identical to those of the whole socialist society. Its economic foundation was built on the basis of underdeveloped productive forces and commodity economy, which dictates that its economic structure should be more varied than that in the higher stage so as to meet the needs of the development of productive forces at different levels and people's demands. The appearance of the joint stock system, the contract system, and the leasing system reflects the variety of socialist public ownerships and management forms. Some comrades treat these as capitalist things. This is a misunderstanding. As early as a century ago, Engels said: "At least in the transitional period...the laboring people should possess all labor instruments, and should in any case not exclude the preservation of lease and rent." Here, "at least" means that the means of production can be leased out or rented by people in a certain development stage of socialist society. In addition to socialist public ownership, individual economy, private enterprises, and national capitalism should be allowed to exist within a certain scope. After the establishment of the absolute dominance of socialist public ownership, these non-public ownership elements are necessary supplements to socialist economy, and the relationship between them and public ownership is not a problem of "which triumphs over the other."

The economic relationship of every society is first reflected as an interest. The existence of various economic forms and elements in China also decides the difference of interest of all localities, departments, enterprises, workers, and other social members on the basis of coincidence of their fundamental interests. In the past, we failed to pay attention to this difference and laid undue stress on narrowing the gaps between people's incomes, resulting in the situation of "eating from the same big pot." This dampened the enthusiasm of people in various fields and retarded the process of getting rid of poverty. Now, we have adopted the policy of letting some people become rich first,

paid attention to overcoming egalitarianism, and prevented excessive gaps of income between enterprises and social members. All this corresponds with our national conditions at the present stage. Only by deeply studying various interests resulting from economic relations in the initial stage of China's socialism can we deeply understand production relations, social relations, and the superstructure at the present stage. Making an accurate analysis of these different interests and building a rational setup of new relationships of interest is an important subject confronting us in China's current socialist construction stage.

In the field of political system, China has in principle built socialist democracy that is better than capitalist democracy. However, due to the restriction of the economy, culture, and social relations of the initial stage of socialism, this democracy could not be perfected. The special contradiction between the urgency and protractedness of developing democracy in the initial stage of socialism has thus appeared. On the one hand, old China has left us many traditions of feudal autocracy, but few traditions of democracy and legal system. For this reason, if we do not build a sound democratic system, democracy will be easily undermined and our socialist cause will suffer setbacks. All the major mistakes since the establishment of the PRC have been related to the unsound democratic system. On the other hand, building a high degree of socialist democracy is a very arduous task. Only by completely understanding the urgency and protractedness of developing democracy, can we find an objective law for building democracy and a correct way to conduct political structural reform at the present stage.

In the field of ideology, the initial stage of socialism also has its own characteristics. The socialist ideology with the guidance of Marxism has occupied a dominant position, but the socialist ideology itself is not so mature and must continue to develop. Meanwhile, it is often influenced by backward feudal ideas, by ideas of small-scale product, and particularly by decadent bourgeois ideas from foreign countries. We are thus required to vigorously strengthen the building of socialist spiritual civilization, to consciously resist the invasion of feudal ideas and decadent bourgeois ideas, to correctly deal with traditional and foreign culture, and to reject the dross and assimilate the essence. Only by so doing, can we consolidate and develop China's socialist ideology.

In this article, I have not made an overall analysis of the initial stage of socialism, and my opinions here are also very preliminary. I believe that earnestly studying special contradictions in all fields of the initial stage of socialism would help us further probe the characteristics of this stage.

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LIAOWANG DISCUSSES 'CORRECTNESS' OF CPC POLICY

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[Article by Liu Liutang (0491 0362 1048): "On the Correctness of the Present Party Line as Viewed From China's External Environment"]

[Text] As a developing socialist country, China is still at the initial stage of socialism. What is the external environment for a society at the initial stage of socialism? How did this external environment take shape? What are the interrelations between this external environment and the initial stage of socialism? And how do they interact on each other? A preliminary survey and analysis of these questions will give us a more profound understanding of the initial stage of socialism and the two basic points of the line adopted since the 3d Plenary Session of the 11th CPC Central Committee.

The Coexistence of Developed Capitalism and Developing Socialism Forms the Main External Environment That China Is Facing

The initial stage of socialism that the Chinese society is passing through is a special stage in the development process of scientific socialism. It is related to the fact that the Chinese proletariat won the victory of socialist revolution in leaping over the capitalist stage under certain historical conditions. At the initial stage of socialism, productive forces are relatively underdeveloped, and some basic features of socialism have not yet developed perfectly. This stage shows an obvious immaturity. If the most basic task for socialism is to develop productive forces, then this task will be particularly urgent at the initial stage of socialism and more difficulties will have to be overcome before it can be accomplished. Most other socialist countries of our time have also been built up on less developed capitalism or an even more backward economic basis. All of them are faced with the same problem of development and perfection of socialism.

While socialism is developing in these countries, the capitalist community of this world has already entered a developed stage. A developed capitalism has at least the following two special features: on the one hand, as a result of the new technological revolution over the past few decades, its productive forces have further developed to a

higher level; and, on the other hand, in the wake of concentration of wealth into the hands of a few transnational monopoly consortiums, the basic contradictions of capitalism have become more acute, and the highest and final development stage of capitalism has arrived. Under such circumstances, the world will witness, during quite a long period, the coexistence of the capitalist and socialist systems and that of developed capitalist countries and developing socialist countries. That is the main external environment China is facing at the initial stage of socialism.

An initial review of the history of scientific socialism since the October Revolution shows us the historical certainty of this external environment. The successive victories of socialist revolution in the Soviet Union, China, and other countries in the first half of this century strongly shook world capitalism to its very foundations. But the capitalist fortress has not been destroyed. Since the day of its birth socialism has been besieged by world capitalism. The first and most urgent task for the Soviet Union after the October Revolution was to defend the Soviet regime and resist the joint armed intervention by international reactionary forces. After its birth the PRC was faced with the Korean War that constituted a direct threat to its national security, with an economic embargo imposed by the imperialist forces. At that time, world capitalist could not tolerate the rise of the new-born socialist system and refused to recognize socialist states for a rather long period. However, the socialist system which represents the direction of development of human society has shown a great vitality. Socialist countries have not only survived but consolidated and developed. A confrontational structure gradually took shape in the wake of the changing balance of power between socialism and capitalism as the two major camps and the drastic rise of the Third World after World War II. This was a result of the constant development of socialism, an expression of the progress made by human society, and an inevitable outcome of history.

The Special Characteristics of This Coexistence Is Its Protracted Nature and Competition

The coexistence of developing socialism and developed capitalism has two basic characteristics--the protracted nature and competition, which are determined by the gradual process of quantitative change in between sudden changes in history. This is a process in which the balance of power between developing socialism and developed capitalism undergoes new changes, a process which is independent of man's will. In this historical period of gradual changes, any inclination to leap forward will be a mere fantasy, and any negative tendency that discourages people from attempting and accomplishing something will be a deviation from the law of progress of human society.

In this historical period of gradual changes, the developing socialism and the developed capitalism, while competing with each other,

condition and complement each other as well; and, while peacefully coexisting, they are always trying to triumph over each other. During this period, the socialist system arising from the old society with underdeveloped economy still bears quite obvious traces of the old system. And it is undergoing a continuous development process of self-perfection and self-enrichment. The utilization of the more developed capitalist productive forces in the interests of socialist construction is not only necessary but also practical. It will be contrary to dialectical materialism and the reality of the present time if we artificially sever the relations between socialism and capitalism, confine ourselves behind doors, unduly emphasize confrontation, and ignore the view that the two systems are mutually conditioning and complementing.

Engels said: "According to the materialist philosophy of history, in the final analysis, the decisive factors in the historical process are production and reproduction in the reality of life." This basic principle of Marxism is not only a truth applicable to the social development of a country but also an objective truth applicable to the interaction between different countries and between different social systems. Therefore, in the course of coexistence of developing socialism and developed capitalism, the interrelations and interaction between different fields will, in the final analysis, be conditioned by the degree of development of social productive forces. If the rivalries between socialism and capitalism as two social systems are increasingly obviously reflected as a competition of the overall national power between countries practicing different systems during the initial period after the birth of socialist countries, then the rivalries of economic power and scientific and technological standards will be very important and will eventually play a decisive role, whether in peacetime or wartime.

Comrade Deng Xiaoping has repeatedly pointed out: "Socialism has many things to accomplish. But the fundamental one is the development of productive forces." The two basic points of the line adopted since the 3d Plenary Session of the 11th CPC Central Committee are: first, the basic principle guiding the founding of the PRC and national construction; and second, the general principle and policies guiding the program of four modernizations. By and large, both points are aimed at the building of socialism with Chinese characteristics. These two basic points--the four cardinal principles and the policy of reform and opening up--are completely in keeping with the actual national conditions and objective needs of China at the present stage, as well as with the actual external environment and objective needs that China is facing.

Without Great Development of Productive Forces, We Will Be Passive and Vulnerable to Attack in Competition With Developed Capitalist Countries

The coexistence of the socialist and capitalist social systems is an expression of the international struggle between the proletariat and the bourgeoisie. This struggle is mainly reflected in the ideological, political, and military fields, and in covert activities, as well as in the field of foreign economic relations and trade. This rivalry between the developing socialism and the developed capitalism is an objective fact and sometimes it may be rather acute. If we fail to adhere to the four cardinal principles or if we treat it lightly, the tendency of bourgeois liberalization and "total Westernization" will dominate the ideological and political field and the domestic political situation characterized by stability and unity will be upset; with regard to military struggle and covert activities, our country's national security will be threatened and the people will not be able to keep their minds on the program of four modernizations; and, with regard to foreign economic relations and trade, the state and the people will suffer undue losses. Therefore, the upholding of the four cardinal principles is the general principle to guide us in handling all state affairs and in the process of opening up to the outside world. This is a point that should never be changed.

An external environment characterized by peaceful coexistence with developed capitalist countries has provided us with a favorable objective condition for implementing the opening up policy, drawing in foreign funds, and introducing advanced technology and scientific management experience. It has also given us an opportunity to promote all kinds of bilateral and multilateral cooperation on the basis of equality and mutual benefit. The tide of new technological revolution currently on the upsurge in the world is a serious challenge to us and a beneficial opportunity for us. Capitalist countries are very important supplementary sources of funds and technology that our country needs. To make better use of foreign funds and learn advanced technology and management experience from other countries, we not only encourage the development of joint ventures run with Chinese and foreign capital but also allow some foreign businessmen to establish wholly owned enterprises in China and adopt a series of preferential policies toward these enterprises. Just as Comrade Deng Xiaoping pointed out: on the premise that socialism plays the leading role, "the existence of capitalism within a limited scope is more favorable to the development of socialism." Meanwhile, the method of "one country, two systems" that we have proposed as a solution to the issue of reunification of China is an example of successful application of the principles of international peaceful coexistence to the internal affairs of a state. Relations and cooperation between developing socialist countries and developed capitalist countries in the field of economy and trade are based on the understanding that the two sides are conditioning and complementing each other; and an important principle to guide such relations and cooperation is that of equality and mutual benefit. Any attempt to seek

short-term interests regardless of long-term interests and any wishful thinking that looks forward to gains but refuses to pay the price will obstruct the process of opening up to the outside world and our cooperation with foreign countries. Such obstacles can do nothing but impair the further development of the opening up process.

The upholding of the four cardinal principles on the one side and the reform and the opening up process on the other side form a dialectical unity, and the latter is definitely the major aspect. Without the reform and the opening up process China will have no future. Without a big development of productive forces, the superiority of socialism cannot possibly be brought into full play and the system will lose its attraction to the people. And, without a solid economic basis, socialism cannot possibly consolidate and develop in China, the country will be passive and vulnerable to attack, and the ultimate triumph over capitalism and the fulfillment of the goal of communism will just be out of the question. In this sense, we have yet to answer a serious question--which system will finally triumph over the other?

The two basic points of the line adopted since the 3d Plenary Session of the 11th CPC Central Committee have defined our road to socialism with Chinese characteristics. We firmly believe that so long as we steadfastly follow this road, we are bound to fulfill our magnificent goal of four modernizations through the sustained efforts of several generations, thus we will make greater contributions in safeguarding world peace and in promoting the development of human society.

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GUANGMING RIBAO ANALYZES STATE, SOCIETY RELATIONSHIP

HK020650 Beijing GUANGMING RIBAO in Chinese 20 Jul 87 p 3

[Article by Rong Jian (2837 0494): "A Brief Discussion on the Relationship Between the State and Society"]

[Text] At present, the theoretical circles are discussing the relationship between the state and enterprises, between state ownership and ownership by society, and between state planning and the market, as well as the realm of state intervention in the economic field; in fact, the discussions universally involve the understanding and evaluation of the relationship between the state and society. The political structural reform under preparation will make a series of readjustments in the relationship between the state and society to create conditions for realizing a high level of socialist democracy. Therefore, scientific understanding of the relationship between the state and society will provide important guidance for the economic and political structural reforms.

The Split Between the State and Society, and Its Historical Reasons

The state did not exist at the beginning of history, but was the product of social development at a certain historical period. In the view of the founders of Marxism, society as the total of production relations was mired in an irresolvable self-contradiction when developed to a certain stage, with the emergence of irreconcilable class conflict; to avoid meaningless struggles leading to the dissolution of the society, a public administrative organ as the representative of society came into being to harmonize the interests of all conflicting parties of the society. Engels said: "Such a force, derived from but placing itself above society and becoming increasingly separated from society, was none other than the state." However, in a very long period in the development of the state and society, the state was not only a political and governmental organ above society, but also manipulated and controlled all social fields; thus, the tendency of the state and society to merge into one took shape. That had typical expression during the feudal Middle Ages. The socioeconomy at that time was always shrinking under the coercion of state politics. The infiltration of the

state in all social fields impeded the normal developmental course of society.

The condition of the state and society merged into one led to conceptual confusion; as a result, Western traditional politics has for a considerably long time failed to clarify the difference between the state and society. For example, Aristotle regarded the Greek city-state as a "social organization" and simultaneously as a "political body." The theory of social contract most popular in modern history regards the social community formed by people through a contract as the state itself. In fact, this conceptual confusion between the state and society endowed a permanent non-historical quality to the state and helped promote the tendency of its unlimited intervention in society.

In the modern times of capitalism, the condition of the state and society merged into one tended to disintegrate with the rapid development of commodity economy. The socioeconomy eliminated direct political coercion; thus, the state and society disintegrated into two major independent fields--politics and economy. Regarding this, Marx summed up: Capitalist free economy entirely "gave up all external features of the community and eliminated all effects of the state on the development of properties" and, at the same time, "because private ownership has shaken off the community, the state now acquires independent existence, which is parallel with but separated from civil society" ("Selected Works of Marx and Engels," Vol 1, p 69). Thus, commodity economy together with bourgeois political revolution "completed the process of the separation of political life from civil society."

It was under such a historical background that Hegel had drawn, for the first time in history, a sharp distinction between the state and the civil society in their definitions. He believed that civil society "is the battlefield of special interests," while a political state is the expression of universal interests. But his mistake lay in regarding civil society as the peculiar realm for the development of ideals, while regarding the political state as the universal realm for the development of ideals, in grasping the nature of the state and society and their relationship by starting from the logical series of the development of absolute ideals, thus arriving at the wrong conclusion that the state determines society. Although Hegel defined the state and society from an objective idealist view, his acute theoretical mastery of the historical trend regarding the disintegration between the state and the society was of great significance for Marx' reference in forming the Marxist theory of the state and society.

The Basic Relationship Between the State and Society

To make a further theoretical generalization of the historical development of the state and society, it seems that we can arrive at the following understanding:

First, the historical abnormal intervention and unlimited control of the state over society inevitably shaped into the concept of history that the state determines the society, the worship of the state, and the state being the main force in determining historical development.

Second, the disintegration into duality between the state and society is a period not to be transcended in the entire process of social development. In this period, social economy eliminates the abnormal intervention of state politics and acquires the right of its own operation. However, under the condition of capitalist private ownership, the disintegration into duality between the state and society does not mean that society as an entity will obtain economic freedom under the domination of the state. In fact, only part of the people--namely, the capitalists--have acquired such freedom.

And third, to safeguard their right to exploit hired workers freely, the capitalist will inevitably manipulate state politics by utilizing their economic advantages and reduce the state organ to "a committee for running the common affairs of the entire capitalist class," thus resulting in unprecedented antagonism between the state and society. This shows that society cannot determine its political life as a whole because it is mired in economic inequality and cannot effectively restrict the state politically; thus, the state remains "an illusory community."

The abovementioned problem existing in the historical development of the state and society need be given scientific explanations in theory. Marx' contributions lay in making revolutionary changes in the historical concept that the state determines the society by applying the concept of historical materialism. Analyzing the relationship between the state and society in his view, we may master several principles of important significance to the development of the state and society.

First, the society determines the state. This principle clearly explains the social origin of the state, the ontological position of the society in restricting the state, and the historical trend of state power returning to society. It shows that society fathered but is dominated by the state; however, it does not mean that society will always be subject to domination by the state. The state is just the offspring of society at a certain stage of its development and will eventually return to society.

Second, the disintegration in duality between the state and society is a period not to be transcended in the entire course of social development. This principle was originally the one with which Marx summed up the basic cause for the rapid development of the capitalist politics and economy, as well as its social mechanism, but has universal significance regarding the entire course of social development. In different social systems, the relative disintegration between politics and economy is the prerequisite for their full development; at the same time, the relative

disintegration between the state and society is the inevitable phase in which state power is returned to society. Of course, the disintegration in duality between the state and society has different effects on the development of the state and society regarding different social systems.

And third, the unification of the state and society. The disintegration in duality between the state and society has in fact forecast the historical orientation of "the society recovering state power," because the state will return the economic power to society, which used to own such power. However, the society must further obtain the right to participation in the political administration of the state on the basis of acquiring its economic decisionmaking power. This is the basic connotation of the unification of the state and society. Because a capitalist country is under the restriction of the special interests of the capitalists, thus expanding its contradictions with the whole society, only the state power of a proletarian country is able to fulfill the unification of the state and society and to guarantee, in organization and system, the perish of the state on its own.

The Realistic Significance in Studying the Relationship Between the State and Society

Correct understanding and handling of the relationship between the state and society are of great relevance in theory on the economic and political structural reforms underway in China today. Poor economic results and a low level of political democratization have been the two basic issues to which China has failed to find thorough solutions for a long time. This has a direct linkage with the over-centralization of state power and the over-weakening of social power. Therefore, it seems very necessary and realistic to grasp the basic direction of socialist reform from the relationship between the state and society.

First, it is necessary that we ideologically adhere to the principle that the society determines the state. Comparing the political and economic construction of China over the past few decades with this principle, we can see clearly that we were greatly affected by the concept that the state determines the society, "hence, the rise of worshipping the state and all things connected with the state" ("Selected Works of Marx and Engels," Vol 2, p 336) and the belief that all the power of society must be handed over to the state for its control and all social activities must be carried out under arrangement by the state. As a result, the phenomena of the abnormal intervention of the state in society are inevitable: State operation, the state being a basic unit, highly concentrated state power, and the state taking care of everything. Therefore, to carry out structural reforms smoothly, a socialist country needs primarily to complete the conceptual changes, to regard Marx' historical concept that the society determines the state as the basic guiding idea for reforms, and to respectively set up the concept that the state serves society and society determines the state as well as the concept of gradually weakening the functions of the

state. Only then will it be possible to resolutely implement "decentralization" in the economic structural reform and to resolutely implement political democratization in the political structure reform.

Second, we must adhere to the principle of the disintegration in duality between the state and society in the economy of the present phase. The deficiency of China's socialist economic construction is chiefly expressed in the fact that the original economic base had not completely gone through the disintegration in duality between the state and society and the social commodity economy was underdeveloped. For a long time, we have implemented an economic system that is highly centralized and in which the state intervenes in all economic activities; it has been a course of organizing social economy in the way of administrative leadership. As a result, the law governing economic development itself has often been violated; this has, in turn, affected the socialist construction of democratic politics. As economy has become an appendix to politics, obtaining political power has become the most favorable shortcut to acquiring economic benefits; this is where the cause of stubborn bureaucratism lies. Therefore, under the present conditions, it is necessary to evaluate the position of the disintegration in duality between the state and society in the entire course of social development based on its inherent mechanism; namely, its nature of non-transcendence.

Based on this requirement, the basic task for the socialist economic structural reform is to complete the disintegration in duality between the state and society; namely, the gradual completion of the transition from state ownership to ownership by the society, the transition from national planned economy to planned commodity economy, and the transition of enterprises from administrative organizations to economic organizations. Of course, in the process of disintegration in duality between the state and society, the role of the state in intervention cannot be done away with absolutely but should continue to actively play this role in the macroscopic realm, in which the society is still unable to practise self-control and self-regulation. However, such intervention must conform to the general interests of the society and the basic law governing social development.

And third, politically, it is necessary to adhere to the principle of the unification of the state and society. The purpose of the political structural reform is not merely to suit the development of the socioeconomy and to consciously become a supplementary project to the economic structural reform. The political structural reform has its own demand for "being strict with itself"; namely, the establishment of a highly democratic political system based on the principle of the unification of the state and society, to guarantee the conscious participation of the people in the political administration of the state. At the present stage in realizing the principle of the unification of the state and society, we are not to make the state immediately perish on its own but to establish and make complete and

perfect various political and organizational forms for social participation so that the people's various democratic rights may be guaranteed in organization and institution, thus genuinely embodying the historical direction of the society recovering state power. Therefore, the direct participation of the people in state politics through the political structural reform as well as the demand of the society for economic decisionmaking power simultaneously form two basic lines for state power gradually returning to society. The state will gradually return the economic power to society through economic structural reform, while the society will participate in the political administration of the state through the political structural reform. This is precisely the process of the unification of the state and society.

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CHEN YIZI DISCUSSES POLITICAL STRUCTURAL REFORM

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[Article by Chen Yizi (7115 0001 6171), director and research fellow of the China Economic Structural Reform Research Institute: "Reform of the Political Structure Is a Guarantee of Reform of the Economic Structure" on 10 July 1986]

[Text] The reform of the economic structure which we are carrying out is to guarantee the rational operation and healthy development of the socialist planned commodity economy and reform of the political structure includes the rational disposition of functions and powers in the aspect of the coordination of economic, social, and political interests. I have such a feeling that while studying the problems of reform of the economic structure, we have encountered many problems of the political structure but have studied them very insufficiently; and it seems that comrades who are studying reform of the political structure have often studied reform of the economic structure insufficiently. These two should be combined very well and supplement each other. If we deviate from reform of the economic structure, we can hardly do a good job in reform of the political structure and if we do not have reform of the political structure as a guarantee, reform of the economic structure cannot be smoothly carried out.

What Is the Main Problem Which Hinders Economic Reform, Modernization, and the Long-Term Good Order and Peace of the State?

What is then the main problem in our political structure which now hinders reform of the economic structure and modernization carried out for the long-term good order and peace of the state? I think that it is the problem of excessive centralization of powers as mentioned in Comrade Deng Xiaoping's 1980 article: "Reform of the Leadership System of the Party and Country." In the past, we did not understand this problem very clearly. In the wake of reform of the economic structure and of the development of the planned commodity economy, we have now come to feel that this structure, which combines the party, government, and economic department, which is highly centralized by the central authorities, and which is organized and operates according to administrative levels, administrative divisions, and the administrative

method, cannot meet the needs. Where is the excessive centralization of powers expressed? I think that there are several aspects: 1) Regarding the relations between party organizations and organizations of state power, powers are excessively centralized in the hands of party committees at all levels. This leads to the organization of powers and administration by party organizations on and also makes it hard for organizations of state power to fully play a part in the administration of social life according to the provisions of the Constitution and laws. 2) Regarding the internal relations of state power, as all departments of state organs are directly restricted by departments of party committees, administrative organs are not practically responsible to organs of state power so that organs of state power have no practical powers, administrative organs lack administrative efficiency, overlapping party and government organs are set up, their functions overlap, they dispute over trifles, they restrict each other, their efficiency is low, and bureaucratism is serious. 3) Regarding the relations between the central authorities and localities, powers are excessively centralized in the central authorities and localities lack necessary decisionmaking power. This problem is not a new one but an old one. We talked about it many times in the past but have not solved it well. We are in a cycle where centralization of powers resulting in rigidity alternates with decentralization of powers resulting in chaos. It is feared that this is a common problem in our economic structural reform and in our political structural reform. In the course of economic structural reform in the previous stage, we delegated power to lower levels and expanded the power of enterprises but have so far been unable to delegate power to lower levels. There were many reasons for it but an important one should be the problems existing in our political structure, particularly in the structure of government administration. 4) Regarding relations between the government and society, powers are excessively centralized in the government. The government is in direct control of social cells, enterprises, and all economic and social organizations. Society has, therefore, been rigidly controlled and is lacking its necessary vitality. 5) Regarding the relations within the party, powers are excessively centralized in party committees at all levels and their standing committees, powers of the party committees and standing committees are excessively centralized in secretaries, and the normal practice of democracy is lacking in the party, particularly in some grass-roots organizations.

The State of Excessive Centralization of Powers Shows the Serious Irrationality of the Political Organizations and Structure

The state of excessive centralization of powers in our political structure shows the serious irrationality of our political organizations and structure. The irrationality of the structure will surely and directly affect its functional operation. We all have now felt with intense sorrow that our structure does not operate well, its efficiency is too low, and it is too cumbersome to be effective and that is a reason. Marxists say that the superstructure serves the economic

foundation. Our productive forces have now developed to a certain extent and as a specific form of productive relations, the economic structure begins changing. If the superstructure does not carry out necessary reform accordingly, it will affect the development of productive forces directly, affect the long-term good order and peace of the state, and affect socialist modernization. The main tasks of reforming the factors of our political structure which do not suit the development of productive forces and reform of the economic structure are to readjust the internal structure and external relations of all political organizations and essential factors, to solve the problems of excessive centralization of powers, to realize the rational disposition of functions and powers, and to gradually establish the modernized political organizations and structure which meet the needs of the development of the socialist commodity economy.

To attain this target, we must do our work in many aspects in the course of reform of the political structure. I propose several tentative views:

First, On Reform of the Administrative and Management Structure

Since the liberation of our country, we have carried out reform of the administrative and management structure on several occasions but have not solved problems all along. We have also organized and carried out some study and particularly, under the support of the Central Party School last year, we conducted investigation of reform of the administrative structure of some 10 counties. Since liberation, our organs have mainly changed 1) economic departments; 2) the method of streamlining. We now see that the method of streamlining cannot solve problems. The countries which have adopted Stalin's pattern in the Soviet Union have a universal characteristic which is the expansion of organs. At present, the number of cadres of Hungary accounts for 6 percent of the population of the whole country while that of our country accounts for 2.7 percent and we have some 27 million cadres while they have 600,000 cadres among 10 million people. Why is it? It is because the pattern of the product economy needs the administration and management of departments and following social and economic development, a vacancy emerges between two departments and a new department must be set up. After the establishment of the new department, it and the two old departments overlap and another vacancy occurs, resulting in the Parkinson's Law effect. Two becomes 4; 4, 8; and 8, 16. Of the 108 ministries and committees (commissions) of the Soviet Union, 78 are in charge of economic work. Its party Central Committee also has similar departments but efficiency cannot be enhanced. When organs are streamlined, they are expanded again and when they are streamlined again, they are expanded again. Every time, they are expanded more seriously than last time. Our bureaus, commissions, departments, and offices at the county level have been expanded one time to two times bigger than in the initial period of liberation because all problems must be tended. It does not work without the organs. If we abolish

them, nobody will affix a seal and things cannot be done. Although a person is seen reading a newspaper, drinking tea, and doing nothing else, a seal has to be affixed by him. You cannot do without him. After reform of the economic structure for several years, our situation has undergone a very big change. The biggest change is that we have begun changing the pattern of the product economy managed with a mandatory plan as the main measures to the pattern of the planned commodity economy. To complete this change, we must not only carry out reform in the economic sphere but also reform our original administrative and management structure to meet the needs of the development of the commodity economy and direct management must change to indirect management.

How Is Reform of the Administrative and Management Structure Carried Out? In the Past, Problems Could Not Be Solved With the Method of Streamlining

How is reform of the administrative and management structure carried out? In the past, problems could not be solved with the method of streamlining. Suppose we complete reform of the economic structure, we then carry out reform of the administrative structure. It seems that it will not work. If we call the first kind the theory of streamlining, the second kind is called the theory of sequence. The third kind can be called the theory of simultaneity. That is to say, those who engage in the work of the economic structure carry out reform of the economic structure only, simultaneously, and separately while those who engage in the work of the administrative structure carry out reform of the administrative structure only, simultaneously, and separately. It is feared that this will not work, either. If reform of the economic structure is carried out first without reform of the administrative structure as an organizational guarantee, reform of the economic structure cannot be successfully carried out. We can see this very clearly in counties. In the past, while materials were in short supply, our department carried out distribution. For instance, I know how the grain department carries out distribution while grain is running short. It is a privilege, which brings some people interests. A comrade of ours returned to his native place in a rural area and he said that 80 percent of the cadres had used 80 percent of their energy to seek extra income without doing their own job. Perhaps they did what they should not do. That is putting it a bit too strongly but this phenomenon seriously existed. Moreover, if we regard simultaneously and separately carrying out reforms alone as an ideal plan, it seems reasonable but if we deviate from the process of economic, social, and political development, reform of the administrative structure cannot definitely be carried out well. I, therefore, feel that the comrades who study reform of the administrative and management structure must study the requirements for reform of the economic structure and study economic activities as the most basic of human activities while the comrades who study reform of the economic structure must study what organizational forms and measures they should take to manage the economy.

The Key to the Administrative and Management Structure is the Decomposition and Change of the Government Functions

What is the key to reform of the administrative and management structure? I feel that in the wake of the determination of the pattern of reform of the economic structure, to go in for the planned commodity economy, the government must exercise indirect management. According to modern requirements, the key to reform of the administrative and management structure is the decomposition and change of the government functions.

The so-called decomposition of the functions mainly includes three aspects: namely, the proprietary right of the state-owned assets, the right of the regulation of the macroeconomy, and the right of production in and operation of enterprises. To decompose these three, in the past, we managed our country with the method of managing large factories. The problem of enterprises just mentioned is this problem. Hungary has set up an enterprise committee as the representative of the assets but in fact not solved the problem of the relations between the proprietary right of assets, economic regulation right, and right of production and operation. Although Yugoslavia has exercised worker autonomy, it has not solved this problem and workers do not feel that property belongs to them. What method must we use to define the relations of property? We have conducted many discussions. It now appears that the form of switching to stocks is possibly a method. This form of switching to stock does not mean that common people become shareholders, that a number of people of the private economic sector become shareholders, nor that the collective economy is divided into a number of shares. How do we first handle the state-owned fixed assets of several 100 billion yuan? Some comrades asked whether or not a state resources and assets commission could be established to be responsible for the resources and assets of the state. For instance, specialized ministries and commissions, including the Ministry of Petroleum Industry, Ministry of Coal Industry, Ministry of Metallurgical Industry, and Ministry of Textile Industry, have all set up fixed assets bureaus, which are to be separated from these ministries and commissions and to be put under the control of this commission. The fixed assets bureaus will be responsible only for the appreciation of the assets and for the stocks and profits. Suppose Anshan Iron and Steel Co., which has 5 billion yuan and 500 shares and in the beginning, asks all assets bureaus to buy its shares. Then a board of directors will be set up to elect the manager. Lin Chung-keng, representative of the World Bank in China, recently put forward such a view. He said: Your concept of expanding enterprises' decisionmaking power is not very explicit and means that the proprietary right is delegated to lower levels. The so-called proprietary right includes two aspects: 1) appointment of the manager; 2) distribution of profits after payment of taxes. He held that workers' wages should be included in the cost and the manager's income should be linked with the operation of an enterprise. In doing so, the relations between the proprietors, operators, and producers can be

conditioned. Where there is a government at a level, gradually, a resources and assets commission at that level and a number of fixed assets bureaus will be set up. The fixed assets bureaus of the state, provinces, cities, and counties can buy the share certificates of all kinds of enterprises and sell them at the stock exchange set up by the government. Of course, shares can also be bought or applied for with foreign capital and by the collective and individuals. A form of multilevel social ownership will take shape and the relations between the proprietary right and the right of operation can be conditioned.

Furthermore, the functions of the government as a macroeconomic regulator and as an operator and administrator of enterprises must be decomposed and the operation and administration of enterprises need not be controlled by the government. For instance, how wages are to be issued, how are prices to be determined, and where will materials come? All this is left to be decided by the market. Of course, this cannot be done in a short time. However, so far as the work of an enterprise is concerned, its internal operation and management is its own matter. Hungary and Yugoslavia have dealt with this very clearly. They said that enterprises were concerned about profits only and paid attention only to results, whereas macrobalance and social fairness is a matter of the government. Regarding the employment of workers, I only consider whether it is necessary or not, whereas the government must care for the task of providing full employment opportunity. Enterprises need not bother about the work of providing full employment opportunity. How can enterprises deal with all this work if it is given to them? Yugoslavia has 1 million unemployed people and the number of the redundant personnel of its factories accounts for 20 percent of the total number of workers. Their efficiency can hardly be enhanced.

The main economic function of the government is macroregulation and the so-called macroregulation is the formulation of rules, acting as an arbitrator, and ensuring macrobalance. The government mainly carries out regulation with the economic method, such as taxation, currency, and financial measures. Macroregulation also includes the control of several total amounts in a period of time: control of the scale of investments, control of the total amount of credit and total amount of foreign trade, and control of the level of prices and the total amount of wages. Once the market takes shape for the most part and the behavior of enterprises is relatively proper, the rights of determining prices, investment, and wages can be delegated to the lower level and the right of foreign trade can also be delegated to the lower level. However, the right of taxation and the right of issuing currency cannot be delegated to the lower level, that is to say, the central authorities must build up several supports in their macroregulation and macrocontrol. You can operate as you please within the limits of these several supports. Localities can operate as they please and enterprises can also operate as they please but the overall situation must not be out of control. It is likely that the overall situation will be out of control in the absence of these several supports. Judging from the

experience of Yugoslavia, it was correct that the right of investment in the first step was not delegated to the lower level and the right of macrodistribution was also not delegated to the lower level. They misunderstood, however, that if the market had taken shape and the behavior of enterprises had been proper, there would be no problems if further rights were delegated to the lower level. As a result, problems emerged. Therefore, we can say that the right of investment and the right of macrodistribution cannot now be delegated to the lower level all at once. Before a substitute for the direct mandatory system is found, they cannot be rashly delegated to the lower level in one step. The problems are: How should we go step by step after we have determined our target and have a blueprint? What are the steps and how do we make them coordinate with each other? We must advance in every link but cannot attain in one step. Work in the previous step must not create obstacles in the next step but work in the previous step must create conditions for the next step. This requires us to examine the situation and to adroitly guide action according to circumstances. This is a matter of the application of skills and a very difficult problem to tackle.

If the regulation and control by the central government proves effective through an indirect mode, the relations between the central authorities and localities can be straightened out to some extent. As the powers of localities are too small, it is a general principle to delegate powers, particularly the financial power, to the lower level. We now still need to study which powers should be delegated and which powers should not be delegated. The functions of the government and relations between the central and local governments are a very important subject in reform of the economic structure and reform of the political structure. Some comrades have proposed the federal system and some other comrades have proposed the method of separating powers between the central authorities and localities. This problem greatly warrants our study. Many development economists of our country, the United States, Japan, and West Germany have discussed this problem. They have held that in the course of economic takeoff, economic power must be suitably decentralized whereas the political power centralized. If the political power is excessively decentralized, the national strength will be depleted, unnecessary disputes caused, and subsequently everything will be unsuccessful. Therefore, this problem must be considered.

Political democratization relies on economic democratization. I think that it is very difficult to ensure political democratization without economic democratization. I stayed in a rural area for 10 years and my deepest understanding is that when commune members were attaching themselves to a production team leader, every time a commune member was slightly mischievous and put forward a few views, the production team leader would be so hard on him that he could not bear. This was because it was a relation of the feudal patriarchal nature.

Reform of the Administrative Organs Must Be Carried Out in the Course of the Change of the Government Functions

Another problem is reform of the administrative organs in the course of the change of government functions. The so-called change of functions is that the government applies indirect economic measures to carry out macroregulation, as discussed above. Reform of the administrative organs must be carried out in this course. It does not mean that some organs must now be immediately reduced and some organs set up. We had better adopt the method of increasing new organs, reducing old ones, and entering gradual transition, which is called "increasing the new, reducing the old, and ensuring gradual transition." Which organs should be increased? In the wake of the change of the form of government economic management, comprehensive organs, supervisory organs, legislative organs, and advisory organs must be increased and the functions and powers of industrial organs gradually weakened. For instance, the right of ownership of the state-owned assets must first be separated from industrial departments and commissions, the rights of allocating materials and managing cadres separated later, and last, the industrial organs change to organs which formulate principles and policies. Subsequently, the industrial departments and commissions can be amalgamated into an industrial department and so forth. We think that it is a relatively effective method to take this lead. However, the increase in the number of organs in a period of time is unavoidable because in the course of the replacement of the old structure by the new, its difficult to reduce and amalgamate the old organs in a short time. In the course of setting up new organs, we can only gradually reduce old organs and eventually amalgamate them. This is the biggest problem if, in the situation of the dual structure, we dare not set up new organs for fear of increasing the number of organs so that the new structure cannot operate. Although new organs have a new target and tasks, they must have a complete set of organizational means, measures, and method to guarantee the realization of the new target; otherwise, the target is new but specific measures and methods are old and new organs will become old organs.

Second, on the Problem of Reform of the Party

I feel that this problem is, in fact, a problem of strengthening and improving party leadership. Obviously, it is impossible for us to use the method of the war years to administer a modernized country, nor is it possible to use that form of the Cultural Revolution to administer it.

The Form of Party Leadership and the Core of the Problem of the Social Role of the Party is the Relations Between the Party and the Country

I feel that Hungary and Yugoslavia have handled the relations between the party and government better than we have. Even so, they are still studying this problem. They still hold that they have not solved the

problem of the form of party leadership and the problem of the social role of the party very well. What is this problem, after all? It is, in fact, a basic problem which is the problem of what form and what method a party uses to exercise leadership at different administrative levels and in different departments in peacetime and in the construction period, as a ruling party after the proletariat seized the political power. This problem has not been solved. The core of this problem is practically a problem of the relations between the party and the country. Comrade Xiaoping said that the party could not be used to administer the country and to replace the government. The present contradiction which is relatively conspicuous is the problem of the relations between the party and the government. In what way can we practically enable our party to exercise leadership even better? That means that we must make our party really become a political organization which operates from a strategically advantageous position, which makes decisions of greatest importance, which can grasp the orientation, and which supervises social and economic operation. Comrades of Hungary and Yugoslavia have repeatedly discussed this problem. If the functions and powers of the party and the country are not separated and if the duties of the party and the government are not separated, 1) the party will be immersed in the routine work and have no energy to consider important problems; 2) the party will be absorbed in specific policy decisions, in interests, and in social disputes; 3) the party organization of each place and each department will directly command local government and economic activities and very likely become the party of that place and department but not a unified party, resulting in serious consequences and in the party losing its leadership role. Consequently, the party of Zhejiang represents the interests of Zhejiang, that of Fujian the interests of Fujian, and that of a county the interests of this county. While the powers are centralized at a high degree, this will lead to excessive decentralization of powers so that the powers which should not be centralized are centralized and the powers which should not be decentralized are decentralized. This will impair the overall interests of the party and the state and impair party's unified leadership over the state life; 4) the party and the government will make the same decision on the same problem and they will make a double and overlapping policy decision. When their views coincide, the problem is not big but when their views disagree, there will emerge overlappings, disputes over trifles, conflicts, and compromises; 5) if the party controls too specifically and too much, the party will be made to undertake all economic, social, and political hazards, many of which it should not have borne. For various reasons, once the target cannot be achieved or unavoidable faults occur, the masses will give vent to their feelings of discontent with the party. Comrades of Hungary and Yugoslavia hold that such a system must be established so that when the masses are discontented with social problems, they can express their discontent to social organizations; when they are discontented with economic problems, they can air their discontent to economic organizations; and when the problems of macromanagement, fairness, and employment are not solved well, they can express their views to the government. The party is

neither a player nor a judge but a head judge. I have not studied the problem of how to carry out specific reform. I feel that it seems that all socialist countries have this problem and that our country also has this problem.

Third, on the Problem of Reform of the Cadre System

Our country now has all categories of cadres, including teachers, medical and nursing personnel, sportsmen, and working personnel of the party and government organs, parties, and mass organizations, who are all called cadres and are under the unified control of the organization departments of the party and of the personnel departments of the government. The biggest drawback of this structure is that those who employ people do not manage them, those who manage them do not employ them, employment and management come apart, responsibility is divorced from powers, qualified personnel flow difficulty, and the necessary role can hardly be fully brought into play. To solve this problem, 1) the ranks of cadres must be decomposed, that is to say, different posts, including economic, social, and political posts, must have qualified personnel of different quality. They must be managed by different departments with different standards and different methods and some of them are even not necessarily completely managed by the state. Society can hardly accept that all people are managed with a uniform standard and uniform requirement and method and this society is unable to manage them. 2) Cadres must be classified in management. The functions, powers, and duties of the state cadres (or called civil officials) vary greatly. The leading cadres of the government departments are now all managed by the organization departments of the departments of the party committees and the person who manages the cadres does not know the specific tasks of his post and the quality and ability necessary for assuming this post. Only when he selects cadres for a group, he will go there to conduct a little investigation before appointing and promoting cadres. He can hardly achieve that he knows his subordinates well enough to assign them jobs commensurate with their abilities and there is often great blindness. Therefore, when we generally say that "the party manages the cadres," there is this problem. To what extent does the party manage the cadres? Which cadres does the party manage and which cadres does the party not manage? We must really study them well. In one word, a very salient problem is that he who has nothing to do with the work undertaken by cadres is appointed and the powers and responsibility cannot be connected. This problem must be solved. 3) There is not a system of selection. When I am a head, I promote a subordinate who, I think, is good. This has something to do with the feudal traditions of our country. We must consider how to create an equal competitive opportunity for all people and adopt the different methods of appointing people for the different posts by commission, by examination, by selection, or by employment. In realities, I feel that these several problems are relatively big. Arrangements are made by the state for the rank of cadres and the state is unable to make arrangements for them any longer. The more arrangements it makes the heavier its

burden becomes. Furthermore, some people have had some other skills but are unable to bring them into play. Therefore, a rational society must allow people, who have the adventurous spirit, to embark on commerce, people with capacity for operation to run factories, people, who are devoted to work and follow rules and orders, to act as government officials, people with capacity for participating in government and political affairs to act as councillors, and so on and so forth.

Fourth, on Reform of the System of Concepts

Our country has continued from the natural economy to the product economy and retained very profound concepts of the feudal society. To suit the development of the commodity economy, the system of concepts must be reformed. 1. What theoretical work shall we do in coordination with reform? It is, on the whole, to serve economic construction and to serve reform and opening up. We must then create an easy and harmonious environment where qualified personnel show themselves, all of us dare to give voice to our inner most feelings, and we can face realities and create our own theory.

2. A large number of new concepts have been generated. If we are excessively divorced from realities, it will not work, either. Regarding some old concepts, after the "May 4th" Movement of 1919, we criticized Confucius. On the one hand, we did not criticize him thoroughly and on the other, we negated everything, resulting in the sense of national inferiority and national nihilism for one or two generations. Either Europe and the United States or the Soviet Union is good. If the Soviet Union is not good, we turn to Europe and the United States. In fact, the oriental nation has many valuable things, which must be critically inherited. We have studied very insufficiently what should be criticized and what should be inherited. Of course, behind this problem there is a problem of comparative oriental civilization. Toynbee held that since the beginning of history, of the 21 kinds of civilizations, oriental civilization and occidental civilization have been two vital kinds. Our oriental civilization must absorb the most valuable things of occidental civilization whereas occidental civilization must absorb the most valuable things of our oriental civilization. The United States is now keen on studying the economic invigoration of South Korea, Taiwan, Singapore, and Japan and on studying Confucian civilization. We must, therefore, carry out deepgoing and systematic study in this aspect.

Finally, I feel that to form a modernized organization and structure, following the progress of modernization, particularly the progress of economic democratization, the progress of political democratization must be speeded up. Moreover, nobody can straighten out the complicated social relations without using the legal relations to restrict them. The progress of building the legal system must also be accelerated in the wake of this progress. A friend in the United States asked: As law is foundation of a modernized society, why do you not start with the

law? We said that in the beginning of the French Revolution, there was no law. The building of law is, therefore, also a progress.

Some Current Slogans Which Lack Conditions and Can Hardly Be Realized
Must Not Be Shouted Too Much and Too Loudly

Finally, the focal point of reform of the political structure is dealt with. The target of reform of our political structure is to build socialist democratic politics. However, it is still a progress of development and a progress of development which is coordinated with the development of reform of the economic structure and with the development of the building of spiritual civilization. This cannot be accomplished in one move. We must consider the practical subjective and objective conditions, social endurance, and the psychological endurance of party members, cadres, and the masses. We must also consider what we should do and what we can do under the practical conditions. We must by no means shout too much and too loudly some current slogans which lack conditions and can hardly be realized. Of course, those who consider problems and state their views from the angle of study and the angle of long-term development must be supported and encouraged. However, if we depart from the practical ideological level of the 1 billion people of China, from our traditions formed for several thousand years, and from the present state of our 43 million party members and of the 27 million cadres, if we do not conduct investigation, if we talk irresponsibly, and if we whet people's desires, it is likely to cause trouble and even to bring about an unnecessary social shake. Therefore, I hold that the principle of reform of our political structure must be that under party leadership and under the guidance of Marxism, in the light of the national conditions of our country, according to the requirements of the commodity economy and of social development, and on the basis of reform of the economic structure and of the conditions which society is able to provide, the making scientific of the party and state leading structure and the democratization of social and political life must be realized in a planned way and by stages.

In such a great and complicated transformation, I hope that the comrades who study reform of the political structure and comrades who study reform of the economic structure will fight together in coordination. Through study in coordination, they will give counsel on the measures for reform because the aim of our theoretic study is to push national invigoration forward and to achieve modernization.

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PRC POLITICAL REFORM ANNALS PUBLISHED

HK070222 Beijing GUANGMING RIBAO in Chinese 30 Jul 87 p 3

[Article by Yu Min (5940 3046): "Chronicle of Major Events Concerning Political Structural Reforms Since 3d Plenary Session of 11th CPC Central Committee Published"]

[Text] Repeated political unrest and the serious consequences after the founding of the PRC, made CPC members and the Chinese people deeply realize a historical fact: Our political structure was not as perfect and flawless as we expected. On the contrary, it still had a lot of defects. Thus, we also deeply realized a historical pressure: We must reform our political structure. The 3d Plenary Session of the 11th CPC Central Committee unfolded the prelude to our socialist modernization drive and overall reform. The practice of reform was not smooth, especially political structural reform was not reform. During the past 8 years, it has remained at the exploratory stage. The development of our socialist modernization, the deepening of economic structural reform, and the emergence of the international reform trend, all make it urgent to carry out political reform. However, political structural reform is an extremely complicated and arduous project. In order to follow a correct course, it is necessary to first review its past development. That is the reason for the publication of the book "Chronicle of Major Events Concerning Political Structural Reform Since the 3d Plenary Session of the 11th CPC Central Committee." (Hereinafter referred to as "chronicle of events")

The "chronicle of events" presents the general historical process of political structural reform between December 1978 and November 1986. The main part of this book is a record of the major events, which are listed in the form of annals. They include the major historical events, political changes, state activities, reorganization of institutions, personnel appointments and removals, major social events, major works and speeches by party and state leaders, and the policies, decisions, and documents of guiding significance with a total of 860 items. The book arranges all this historical data in a clear form and includes detailed information. Along the historical course it is not hard to find that political structural reform in our country has experienced a complicated and tortuous course, and has developed step by step. At the

same time, people can also see that reform has become an irreversible historical trend.

In the past 8 years, with the development of political structural reform practice, the theory in this aspect has also been developing. It is an urgent need in political structural reform to develop reform theory on the basis of summing up reform experience. The "chronicle of events" not only lists and describes the historical facts, it also presents a systematic outline of the development of the party's thinking about political structural reform. It enables readers to understand the whole course of the development of the party's thinking about political structural reform and to grasp its basic content and essential spirit.

At the back of the book, there is an index of the various subjects. The contents of the book are divided into 11 special subjects in the index, and each event is marked with the date. This makes it more convenient for readers to make cross references.

The "chronicle of events" was compiled by Comrade Li Yongchun and other comrades from the Central Party School with a total of more than 270,000 characters. It has been published by Chunqiu Publishing House.

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PROVINCES TO STEP UP COORDINATION ON REFORM

HK070621 Hong Kong WEN WEI PO in Chinese 7 Aug 87 p 1

[Report: "Reform to Speed Up After 13th Party Congress; Provinces Step Up Coordination of Measures"]

[Text] On the eve of the 13th CPC National Congress, a number of provincial party committee secretaries made speeches to the mass media, calling for cadres at various levels to further unify their ideas and adapt themselves to the new situation of speeding up the pace of reform after the party congress.

The latest issue of SHIJIE JINGJI DAORAO devoted a full page to reporting the speeches of these provincial party committee secretaries. Observers held that this reflected the latest idea of China's top leadership about economic reform.

According to the report, Heilongjiang Provincial CPC Committee Secretary Sun Weiben said that there is now a wrong idea which holds that so long as the CPC continues to be the ruling party, it will not be possible to separate the party from the government in China.

He admitted that although more than 90 percent of the enterprises in Heilongjiang had adopted the factory director responsibility system, due to some confused ideas, not many enterprises had really handled the relevant issues properly in both theory and practice. Enterprises which could smoothly pursue this system mainly depend on good personal relations between the enterprise party secretary and the enterprise manager. Sun Weiben said that the party is trying to make a breakthrough in the separation of the party from the government by pursuing the factory director responsibility system to promote the overall political structural reform. He said that at present, the reform of the leadership structure and the division of work between the party committee and the government have been included in the work agenda of the provincial party committee's standing committee. Some pilot schemes in political structural reform have been carried out in Harbin City.

Meanwhile, Yunnan Provincial CPC Committee Secretary Pu Chaozhu said: To adapt their work to the new reform tempo after the 13th Party Congress, the Yunnan provincial authorities will hold a number of meetings to exchange reform experience, formulate measures for further invigorating the enterprises, and draw up concrete plans for adopting the contract system in large and medium enterprises and the leasing system in small enterprises in an all-round way. The meetings will be held in November this year.

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JOURNALISM REFORM INTEGRAL TO OVERALL REFORM

HK070421 Beijing XINWEN ZHANKIAN [NEWS FRONT] in Chinese No 6, (undated) 1987 pp 3-5

[Article by Zhao Fu (6392 7079), editor in chief of LIAONING RIBAO and a member of the Council of the China Society of Journalism: "Acquire a Correct Orientation, Deepen the Reform in Journalism"]

[Excerpts] Since the 3d Plenary Session of the 11th CPC Central Committee, while publicizing economic construction and institutional reform, socialist journalism, under the party's central authorities' leadership, has undergone a vigorous self-reformation which helps it to keep up with the new situation in socialist modernization and the requirements of the all-round reform and the process of opening up to the outside world. There have been great changes in macroscopic aspects such as the basic orientation and guiding ideology for propaganda, as well as in microscopic aspects of propaganda such as the content, work style, special characteristics, and writing style. Gratifying results have been scored in the reform of journalism. The struggle to uphold the four cardinal principles and oppose bourgeois liberalization launched late last year is indispensable to the implementation of the line that has been adopted since the 3d Plenary Session of the 11th CPC Central Committee. We journalists should take a firm and clear-cut stand in the forefront of the struggle, further carry out the in-depth reform of journalism, make great efforts to build socialist journalism with Chinese characteristics, and play our role as the party's mouthpieces in promoting socialist modernization.

In this article I would like to present . . . of my immature views on the relations between the struggle against bourgeois liberalization and the in-depth development of the reform of journalism.

How To Correctly Evaluate the Previous Stage of the Reform of Journalism

After the struggle against bourgeois liberalization was launched, a question was raised of concern to the press circles, that is, how to correctly evaluate the reform of journalism introduced since the 3d Plenary Session of the 11th CPC Central Committee. Some people said: "The reform has finally resulted in liberalization." Some comrades dare

not affirm with perfect assurance the achievements of the previous stage of the reform of journalism. They are hesitating about the further in-depth development of the reform of journalism and taking a wait-and-see attitude.

Actually how can this issue be correctly handled? Here I would like to talk about some of my personal views. In my opinion, bourgeois liberalization is a social ideological trend which arises from a very complicated social, historical, and ideological context. It is not a product of the reform and, of course, not a product of the reform of journalism either. In light of the operation of party newspapers at and above the provincial and municipality level, the reform of journalism has been developing generally along the right track since the 3d Plenary Session of the 11th CPC Central Committee.

On the premise that the four cardinal principles are upheld, bold exploration of journalism, both in its content and form, has been made and an initial but indispensable reform has been introduced. The reform of journalism has brought about prosperity of socialist journalism. According to relevant statistics collected in 1986, on the average every nine people in China read a copy of a newspaper. Readers at home and abroad pay attention to articles carried by Chinese newspapers and journals and news items filed by XINHUA News Agency. A radio and television broadcasting network has taken shape.

However, we cannot deny that the previous stage of the reform of journalism was constantly faced with interference from the ideological trend of bourgeois liberalization. Flaunting the banner of "reform," several preachers of bourgeois liberalization advocated the bourgeois freedom of the press and opposed the party's leadership over journalism. They attempted to change the nature and orientation of socialist journalism and to lead it astray. Some newspapers disseminated some things that involved serious political mistakes which caused chaos in the ideological field and had a bad influence on the press circles. While fully affirming achievements, we must also be aware of the unfavorable influence of the spreading ideological trend of bourgeois liberalization on journalism, as well as the importance of the struggle against bourgeois liberalization and its nature as a long-term struggle. Only thus will we be able to carry on the reform of journalism in depth with full confidence in the struggle against bourgeois liberalization.

The Unity Between the Struggle Against Bourgeois Liberalization and the Reform of the Press

Unremittingly carrying out the reform of journalism in depth in the struggle against bourgeois liberalization is an important task for the journalism front now and for a long time to come. But some comrades are still not clear on this point. They have set the opposition to bourgeois liberalization against the reform of journalism, being afraid that opposition to bourgeois liberalization will affect the reform of

journalism and dampen journalists' initiative. Some comrades are even afraid that they could be involved in the erroneous bourgeois liberalization if they persist in the reform of journalism.

Opposition to bourgeois liberalization is not antagonistic to the reform of journalism. Instead they are related to each other and integrate with each other. Like the whole reform, the reform of journalism is a process of self-perfection and development of socialist journalism. The fundamental nature of socialist journalism will not be changed. The party demands that our socialist journalism be submissive to the party's leadership, adhere to the socialist orientation, and serve as the mouthpiece of the party and the people in an original way. This is the fundamental orientation and guarantee for the development of socialist journalism. And those who preach bourgeois liberalization just want to change this fundamental nature under the pretext of "reform of journalism." They have attempted to shake off the party's leadership over journalism, to deviate from the socialist track, and to make journalism the so-called "third force" which is independent of the party's leadership or even dominant in the party. In launching the struggle against bourgeois liberalization, we will frustrate their attempt to change the fundamental nature of socialist journalism and ensure that journalism will be kept under the party's firm control. This struggle has pointed out a correct direction for the reform of journalism, provided a fundamental guarantee for the reform, and created necessary conditions for giving full play to the initiative of journalists. The struggle against bourgeois liberalization will not impair the reform of journalism and dampen journalists' initiative but will give a great boost to the reform of journalism and to the efforts aimed at bringing journalists' initiative into full play. Opposition to bourgeois liberalization is a long-term task. Comrade Deng Xiaoping said: The four modernizations program will take 50 to 70 years. During this whole period there will always be a need for opposition to bourgeois liberalization. The interests of the smooth development of the great reform (including the reform of journalism), we must resolutely carry out a long-term unremitting struggle against bourgeois liberalization.

Reform is a process of continued exploration, and the reform of journalism is also a process of continued exploration. As a process of exploration, it can hardly avoid faults and mistakes. This rule applies to a state and a party as well as to journalists. We must never confuse the faults and mistakes with the opposition to the party's leadership in terms of the fundamental political principle and political orientation or with the bourgeois liberalization that counters socialism. It is wrong to attribute faults arising in reform to bourgeois liberalization. We should tolerate faults and mistakes in the course of reform. We encourage those engaging in reform to take the initiative in promptly correcting their mistakes and faults and draw lessons from their experience so that the reform can be carried out more smoothly.

Thoughts on the In-Depth Development of the Reform of Journalism

The reform of journalism has never been a reform to be carried out in isolation but one which develops along with the all-round reform. Since the 3d Plenary Session of the 11th CPC Central Committee, our party has initiated a great economic structural reform first in rural areas and then in cities. The development of the reform of the economic structure calls for a reform of journalism that is in keeping with it. Brought forth by the reform of the rural and urban economic structures, this reform of journalism has helped our press circles to make their due contributions in publicizing the party's policy of carrying out reform at home and opening up the country to the outside world, the progress made in the reform of the rural and urban economic structures and in the building of socialist material and spiritual civilizations, and the necessity of building a socialism with Chinese characteristics. The all-round reform has in its turn set higher requirements on journalists and given an impetus to the reform of journalism; while the latter has prepared favorable public opinion for the former.

The reform of journalism is not one that is carried out in isolation but a part of the all-round reform. It has particularly close relations with the reform of the political structure. At present, a reform of the political structure is under preparation in China. It is both unrealistic and impossible to one-sidedly anticipate bigger and faster strides in the reform of journalism without taking the progress of the political restructuring into account. The reform of journalism can gradually expand and develop in depth only if it goes along with the gradual progress of the reform of the political structure.

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GUANGMING RIBAO ON RATIONALIZING PUBLICATIONS

HK040320 Beijing GUANGMING RIBAO in Chinese 20 Jul 87 p 1

[Commentator's article: "There Should Be a Rational Layout for Newspapers and Magazines--Third Discussion on Doing a Good Job in Consolidating Newspapers and Magazines"]

[Text] Now there are more than 1,700 newspapers and 5,200 magazines throughout the country. An unprecedentedly prosperous situation prevails in our press and publication circles. But behind such gratifying figures, there are defects of improper layout and too much duplication.

Irrational layout is mainly reflected in the following:

1. Duplication at various levels in the same department. In recent years, various ministries of the central government have successively started their own newspapers and magazines, or professional newspapers and magazines. It is a good thing to use newspapers to guide our work. However, grass-roots units imitate what the central ministries have done. One newspaper or magazine published at the central level is followed by a cluster of newspapers and magazines at grass-roots levels. There are newspapers and magazines at each and every trade and level. Hence there is too much duplication.
2. The same kinds of duplicated newspapers or magazines in the same locality. In the same province, or city, very often we find many newspapers and magazines of the same content. They scramble for the same group of readers and the same market. For example, some five poetry journals are registered in a certain city. In one locality, there are five kinds of economic information journals.
3. Various kinds of magazines deal with the same topic. Of course, it does not mean that one topic can only be dealt with by one magazine. It is now a common phenomenon that magazines are run and distributed blindly and behind closed doors. For example, magazines on the cinema, television, life, health care, and so on can be found everywhere. Although some topics are rare, no duplication is necessary. For instance, there are four magazines dealing with literature of the same

foreign country, and three of these magazines are published in the same place.

4. Digests are distributed everywhere. It is all right to run digests because they bring convenience to readers. However, by running digests of certain brands, some people scrape together, or make extracts from articles published in other newspapers and magazines. They do so without scruple, or paying any price. This is another kind of duplication. The articles published in a certain digest are just repeats of the ones originally carried in another magazine. The abstracts published by a certain digest are the same as those carried by another digest. Sometimes an article is reprinted again and again. Even more serious is that sometimes when an article is reprinted, it is arbitrarily cut down. It is eventually changed beyond recognition. The author knows nothing about this.

5. Various localities or departments vie with one another to run popular magazines. Over the past 2 years, popular literature, the legal system, modern life, and so on have become popular topics. Many departments try to be the first to run magazines on these topics regardless of whether their work is connected with literature, the law and so on. Some magazines give up their former purposes, and turn themselves into popular literature magazines.

6. Association journals are numerous. Now various kinds of associations, institutes, and societies have been established one after another. They all run their own journals. Some associations, institutes, and societies do not employ full-time working personnel. Some academic activities can be carried out through exchanges at meetings, or dissemination of the existing journals. But they run their own separate magazines. As a result, the articles they published are scissors-and-paste work. They only publish a few volumes a year, and, very often, their information is stale.

Why are our newspapers and magazines run in such an overlapping and uncoordinated way? After making an analysis, we discover that there are two main reasons contributing to this:

1. Some newspapers and magazines are run by government institutions. Some of these government institutions wrongly think that since they are government institutions, whether they are big or small, they should run their own newspapers or magazines since this will help them gain fame and prestige. Therefore, their former brief work reports and bulletins are all turned into a weekly publication, or publication appearing once every 10 days. Some of them only publish one page per month, or one volume every 6 months. They still want to keep up appearances. Furthermore, since they are newspapers and magazines run by government institutions, they are put into different grades. Once there is an additional "temple," it is accompanied by several "gods." The

responsible institutions at higher levels have the right to order their subordinates to subscribe to the newspapers or magazines concerned.

Such duplicated newspapers and magazines are not completely useless. But spending too much manpower and financial resources on them is simply not worth it. In the meantime, most of these newspapers and magazines lack qualified reporters and editors, and their quality is not high. They do not benefit readers very much.

2. The purpose of running newspapers and magazines is to make money. Those who know nothing about literature, run literature magazines. Those who know nothing about law, run magazines on the legal system. Some tabloids only cover local news, but their abstracts are distributed in various parts of the country. Some newspapers and magazines change their former purpose, and follow popular topics in order to make money. Some are even disinclined to do editing, printing, and distribution work. They simply sell their titles, and reap the profits without lifting a finger. Newspapers and magazines are meant to be nourishment for the readers' minds. However, in some people's hands, they are tools for making money. In this case, this is not merely a problem of duplication. It is a problem of wrong orientation, and running newspapers or magazines in a crude and careless way.

It is now time to conscientiously solve the problems of duplication and irrational layout of newspapers and magazines. Because ours is a populous country, it is of little or no account whether we have more newspapers or magazines. However, the duplication of newspapers or magazines means "structural surplus." On the other hand, we do not have sufficient reading materials which are rich in ideological content and knowledge, for the rural masses, youths, and children. Under the present conditions where there is a strain on printing and paper supply, the press and publication departments should promptly carry out their investigation, supervision, readjustment, and improvement work with regard to the number of newspapers and magazines of various kinds, their division of work, and quality, as well as the responsibility of the competent authorities.

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GUANGMING RIBAO DISCUSSES SEPARATING OWNERSHIP, OPERATION POWER

HK170859 Beijing GUANGMING RIBAO in Chinese 8 Aug 87 p 3

[Article by Xiang Baohua (7309 0202 5478): "An Elementary Analysis of the Substance of the Separation of Two Powers"]

[Text] The separation of the two powers merely provides and creates proper conditions for invigorating the enterprises, but does not fundamentally solve the issue of invigorating the enterprises.

This separation is in fact a method of redistributing the power of operation. If it were not supported by other reform measures, it would not bring about any obvious change in the vigor of the enterprises. In theory, the assets of the enterprises owned by all the people belong to the state which represents the interests of all the people, so the state also has the power to dispose of the enterprise assets and to determine the distribution of their incomes. In a broad sense, the power of enterprise operation includes the power to supervise, control, coordinate, and direct the entire processes of production, marketing, and purchase and to make business policy decisions. Obviously, both the power of ownership and the operation power requires the actual power to dispose of enterprise property. Therefore, in a strict sense, it is impossible to completely separate the two powers.

As far as the conditions of the enterprises under whole people ownership in our country are concerned, although the enterprise assets are owned by the state in legal terms, their final use is determined by the enterprise managers and workers. This shows that the separation of the two powers has been partially realized in the enterprises. Therefore, the so-called separation of the two powers at present is a further step to separate the two powers, or to shift the exclusive ownership or operation power from the state to the enterprise managers and workers. However, the present schemes for separating the two powers in fact do not touch on the issue of shifting ownership from the state to the enterprises, but just deal with the redistribution of the operation power between the state and the enterprises.

The redistribution of the operation power does not constitute a driving force for invigorating the economy. The step for streamlining

administration and devolving powers will only shift the operation power from some intermediate-level administrative organs to the enterprise managers. Obviously, such a shift of power will not substantially enhance enterprise vigor and economic efficiency.

The redistribution of the operation power will not help overcome the existing defects in the traditional form of ownership. In the long run, as things develop, ownership is held in the hands of the state in terms of law, and the power for the final use of the assets is in the hands of the enterprises, such separation of the two powers will on the one hand convert the state ownership over the enterprise assets into a purely nominal one, as the state cannot freely dispose of these assets but can only exercise power over the distribution of the earnings; on the other hand, the enterprises only obtain the power to use the assets and still have no full power to freely dispose of all their property. This will finally give the monopoly to the all-people-owned enterprises in the use of the assets, thus leading to the idleness of the assets and low efficiency in their use, and waste of social production resources.

Therefore, the separation of the two powers is a most necessary condition for enlivening the economy. To deepen the reform, more efforts should be made to perfect the mechanisms that generate the driving force for the enterprises and to perfect various forms for integrating responsibilities with rights and benefit.

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CSO: 4005/982

GUANGMING RIBAO DISCUSSES RELIGION IN SOCIALIST ERA

HK030237 Beijing GUANGMING RIBAO in Chinese 20 Jul 87 p 3

[Article by Luo Zhufeng (5012 4554 7685): "Seriously Study the Question of Religion in the Socialist Period"--this article is the original author's preface to the book "The Question of Religion in the Socialist Period in China" published by the Shanghai Academy of Social Sciences Publishing House; the present abridgment has been made by this paper's editor."]

[Text] It would be attempting an ineffective solution if people drew inferences on certain matters in a general and abstract way, jumping from one concept to another and failing to proceed from reality. This also holds true with religion.

Marx said the discovery of classes and class struggles in human society was not credited to him, but he did make contributions to the demonstration of class struggle inevitably leading to the proletarian dictatorship. In his discussions on religion, Marx proceeded from the condition that Christianity was dominating Germany and even Europe at that time; but the most important thing was that Marx laid particular stress on the point that the proletariat should unite closely to fight for the improvement of their living conditions in this world, while the disputes in religious belief were only minor issues. When Lenin proposed that it was necessary to make religion a citizen's personal affair, he referred to the separation of government from religion; he held the view that every one was free to choose between religion and atheism. Lenin was referring to the conditions in Russia when he made that statement.

We should view everything from its original features, and religion is no exception. The "culture theory," which believes that the elevation of people's levels in science and culture will help eliminate religious belief, cannot fully explain such a complicated phenomenon as religious belief; nor will the "class theory," which advocates that religion will perish on its own with the elimination of classes, be all-inclusive because, in the socialist society in which the exploiting classes have been eliminated, some people still maintain their religious belief. Mankind has entered upon the era of space navigation, but when some U.S.

cosmonauts were in space, they experienced the great wonder of God's creation, and their religious belief has become all the stronger. Science has long negated the myth that God created the world; but why is it that some scientists still believe that God created man and all things on earth? It is true that in poverty and difficulties people come clear to religion, but is it not also true that the wealthy worship the Buddha and say their prayers, so that they may continue to enjoy their wealth in paradise?

We can arrive at a comparatively clear conclusion on religion, an extremely complicated social and historical phenomenon, only by observing and investigating its substances and the many specific conditions interrelated with it. For example, people's value concepts, ways of thinking, psychological characteristics, as well as social relations. Any general discussion departing from specific time, place, and conditions with the aim of seeking a ready panacea will not help! In a class society, class oppression is the soil for the existence and development of religion; the fact that Lenin compared the disasters resulting from class oppression to an "earthquake," precisely illustrates this point.

Facing us at present is a new situation and a new issue, both historically unprecedented. In a socialist society in which the exploiting classes have been eliminated, why is it that religion still exists? The causes are certainly very complicated. In China, the main causes for people maintaining their religious belief are the low level of productive forces in particular, poverty, backwardness, and disasters, including disease. Besides, the problems of making a living, getting old, becoming ill, and facing death are long-term anxieties to some people. When they fail to find rational solutions to those problems, they pin their hope and expectations on the "next life." Thus, the matter of religion in the socialist society has become an important topic to be explored in the study of religion.

The Religion Research Institute under the Shanghai Academy of Social Sciences has completed editing the book "The Question of Religion in the Socialist Period in China." The institute has done its best to guide its research with a Marxist stand, viewpoint, and approach, and to closely link it with the actual religious conditions in present-day China through on-site investigation. Conclusions and analysis were made after repeated contemplation based on voluminous material gathered on present day living conditions, and the manuscript was rewritten several times before the final copy was completed. With an aim of making some theoretical breakthrough, this thesis attempts to explore and to study the following relevant issues:

1. The relation between religion and Chinese culture. Confucianism, the concept of "this worldliness," particularly in its ethics, has struck root in the ideology of the masses over several millenia; on the other hand, religious authority subjected itself to imperial authority,

while the latter was supreme. Therefore, in the Han region, a "national religion" never took shape, nor was there the possibility of religious wars as happened in the West. Those among the people believing in orthodox religions were extremely small in number, while the concept of supernatural beings and the custom of idol-worshipping was universal.

2. The present conditions of all religions since the founding of the PRC. The profound changes brought about by socialist construction have inevitably affected religion itself; in particular Protestantism, Catholicism, Buddhism, Taoism, and Islam underwent changes in their politics, economy, religious system, and doctrine, when they got rid of the control of imperialism and the feudal ruling class. Religion has become an undertaking run by the Chinese disciplines themselves, religious belief has genuinely become the citizen's personal affair, and the nature of religion is different from the conditions in a class society that had stood for several millenia. There is a need for us to acquire a new understanding of the root causes for the existence of religion in the socialist period, the social status, social function, as well as the law governing the evolution of religion.

3. Religion as a social and historical phenomenon does not perish with the extinction of its class roots, but has its own peculiar inherent law. The failure to fully understand this, and the attempts to eliminate religion through administrative means, are the root causes of leftist understanding in implementing the policy on religion, and the result always runs counter to one's wishes. The facts in the almost 4 decades since the founding of the PRC have also proved this; and many experiences and lessons within those facts are worth our attention. The fact that religion possesses a mass nature, a long-term character, complexity, and national as well as international qualities, must be handled seriously, solemnly, and correctly. By no means should we do something, which we should never do, out of our subjective arbitrariness.

4. Religion is an objective existence. In socialist New China, all genuine religious believers can unite with non-believers on the basis of patriotism by seeking common ground while reserving differences, and strive together for the four modernizations and the building of China's socialist spiritual civilization, and the happiness of this world. Most religious teachings and ethics play a restrictive role toward believers in avoiding evil and doing good. Whoever he is, and no matter what his starting point and motive are, so long as what he is doing is helpful to the country and masses, his basic stand is sufficiently beneficial to socialist modernization. Viewed from this angle, we find that religion can be in harmony with the socialist society.

5. Being harmonious should be bilateral. The government should firmly implement the policy of freedom in religious belief, treat all kinds of religion alike, and believers or non-believers without discrimination. It is necessary to constantly remind religious believers to prize the

not-too-easily-acquired excellent situation of stability and unity in China, and not to let a handful of bad elements indulge in criminal activities under the cloak of religion. Religious believers should be law-abiding, cherish the motherland as well as their religion, be enthusiastic in public welfare work, and guard against any foreign influences interfering in our religious affairs.

The question of religion in the socialist period in China is a major topic, which has not undergone comparatively systematic research and discussions in China. The thesis published here is just the result of study of an exploratory nature, and mistakes are inevitable. We hope that experts in the study of religion will continue to make progress on this basis, and to exert common efforts to present new accomplishments worthy of our times.

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LU DONG ON ENTERPRISES' CONTRACT OPERATIONS

OW300052 Beijing XINHUA Domestic Service in Chinese 1109 GMT 29 Jul 87

[Text] Beijing, 29 Jul (XINHUA)--Speaking at a symposium on contract policies, Lu Dong, minister in charge of the State Economic Commission [SEC], stressed that, while most of the nation's enterprises have operated--or will operate--on a contract basis, we must remain practical and pay attention to problems which might appear, draw up necessary policies, and provide them proper guidance, according to the nature of the problem.

The symposium was sponsored by the SEC and attended by enterprise reform researchers from provinces, municipalities, autonomous regions, and cities with independent economic decisionmaking authority. Participants examined the progress in contractual operation in their respective areas, studied specific measures for improving the system, and discussed, and put forward, suggestions on how mechanism for competition could be incorporated with contractual operation, how to maintain enterprises' drive for development after turning in profits and paying taxes to the state, improve enterprises' operations while undertaking contracts, and repay loans after paying taxes.

On the basis of the discussion and the questions raised by the participants at the meeting, Lu Dong put forward the following eight requirements for improving the contractual system:

1. The system should be carried out in accordance with local conditions. Since the financial relationship between local governments and the central government varies, and the situation in various enterprises is also vastly different, different enterprises may adopt different forms of contract, according to their situation, and they should improve these contracts while earnestly carrying them out. There should be no arbitrary uniformity regarding the form of contract.
2. The principles of contracts must be upheld. This means that the basic targets must be attained, the amount of profits to be turned in to the state must be ensured and, while an enterprise may retain revenues exceeding the contracted amount, it has to be responsible for any shortage. Thus, while there can be different forms of contract, the principles for these contracts cannot be changed, otherwise the operation cannot be called a system. Enterprises unable to institute the system for the time being should wait until conditions are ripe.

3. A contracted enterprise should make sure it can steadily increase revenues, maintain a capacity for further development, and improve workers' livelihood and welfare. Thus, instead of cutting taxes, conceding profits, or giving an enterprise preferential treatment, a contract is actually something committing an enterprise to undertake risks in those three areas.

4. A contracted enterprise should depend on tapping potential to improve its economic efficiency. There are two ways to increase revenue. First, it can raise prices recklessly. This is an improper way, certainly discrediting the contract system. Second, it can increase economic efficiency, through reduced consumption of material resources and improvement in productivity and quality. The contract system must be linked with improving management, strengthening fundamental work, and upgrading enterprise operations.

5. Contracted operations should focus on improving an enterprise's operational mechanism. A contract should compel an enterprise to bring about reform in leadership, wages, and administration, as well as organization. The foundation of contracted operations would not be strong if they are not properly tackled.

6. The mechanism of competition should be gradually incorporated within the contract. Basic targets should be achieved through bidding, and the enterprise director should be recruited. This is something new for improving the contract system and deepening enterprise reform, and will help discover proficient personnel, train managers and entrepreneurs, and make enterprises more competitively minded. But it takes time to attain this goal. By no means should an enterprise try to achieve all these things in one stroke. Pilot projects should be carried out in medium-sized and small enterprises, or in branches or workshops of large enterprises.

7. Conditions should be created to deal with the problem of repaying loans after paying taxes. The contract system can discourage an enterprise to invest thoughtlessly, and force it to achieve better returns from investment. In other words, the contract system will create the conditions for an enterprise to repay loans after paying taxes. However, it would be hardpressed if it were required to make quick changes. Thus, this issue should be gradually resolved according to improvement in the enterprise's economic strength, and it should also be linked with the enterprise's technical transformation, production reform, and readjustment of product mix and operational planning.

8. A contracted enterprise should make every effort to improve its technology. Strategically speaking, technological progress is a vital issue having a close bearing on our country's future survival. If we do not succeed in this endeavor, the gap between China and other countries will continue to widen, and we shall be disqualified from international competition. This issue may be dealt with by promoting contract systems. All contracted enterprises must spend the bulk of their profits on achieving technological progress. Only by doing this can they gradually operate within a beneficial cycle.

SEC Vice Minister Zhang Yanning, and Song Shuhua, vice governor of Hebei, attended and addressed the symposium.

GUANGMING RIBAO ARTICLE ON CONTRACT SYSTEM

HK140622 Beijing GUANGMING RIBAO in Chinese 1 Aug 87 p 3

[Article by Zhou Qiansu (0719 0385 0063): "On the Contract System"--first paragraph is GUANGMING RIBAO introduction]

[Text] The contract system is a great creation of the Chinese people. The implementation of the output-related contract responsibility system has brought about a fundamental change in the backward situation in the rural areas. The introduction of the contract system to the urban areas has led to large-scale development of industrial production. The contract system is displaying its great impetus. How can the contract system bring into full play the initiative of the staff and workers of enterprises and produce high efficiency? This article will attempt to make a theoretical exploration in this respect.

The Contract System Can Reflect the Unification of Public Ownership and the Commodity Economy

The fundamental characteristic of the socialist economy is public ownership. Developing the commodity economy while adhering to socialism is a difficult point in economic reform and is also the crux of whether economic reform will be a success. Judging from the practice of the Shoudu Iron and Steel Company and other enterprises exercising the contract system is an effective method for unifying public ownership and the commodity economy.

The contract system is a manifestation of ownership by the whole people. Viewed from the history of the development of human society, owners have always been responsibility assumers. For example, in terms of individual laborers, laborers are both owners and responsibility assumers. Therefore, they have an high degree of initiative in work. Under capitalist private ownership, laborers are not owners, so capitalists have formed a strict responsibility system according to the division of work. But this responsibility system is divorced from ownership. Therefore, workers do not have initiative in their work.

With the establishment of the socialist system, class antagonism has been eliminated, so the unification of laborers and owners should be restored. But this unification should not be formed on the basis of small-scale production

and private ownership but on the basis of large-scale production and public ownership. On the one hand, large-scale production requires a strict responsibility system; on the other, this responsibility system should be able to reflect the position of laborers as the owners of the means of production under public ownership. Under socialist public ownership, owners should also be responsibility assumers. This is more difficult and complicated than eliminating private ownership. Socialist ownership by the whole people should be characterized by ownership by the whole people and responsibility of the whole people. But with regard to an enterprise under the ownership by the whole people, it is impossible for the 1 billion people to operate and assume responsibility for it. Therefore, we have introduced the form of state ownership with state organs exercising direct management of enterprises on behalf of the whole people. As a result, it is impossible for a state organ, no matter how large it is, to unify the activities of tens of thousands of enterprises or to assume responsibility for the development of the economy under the ownership by the whole people. In addition, with uniform management by state organs, enterprises are not economic bodies and cannot assume responsibility for the whole people. Thus, a situation has emerged in which enterprises are owned by the whole people but none of these people is responsible for these enterprises. Hence, the separation of ownership from responsibility.

The contract system is the combination of the ownership by the whole people with the responsibility system. The working class is the subject of the ownership by the whole people. Workers are both laborers and owners of enterprises. As the object of the ownership by the whole people, the means of production are also in enterprises. The contract system has combined the subject and object into productive force. Thus, enterprises under the ownership by the whole can assume responsibility for the whole people. This responsibility system manifests itself in enterprises' delivery of profits and their profit retention for the purpose of increasing fixed assets and producing more wealth for the whole people. This has integrated the ownership by the whole people with the responsibility system and allowed the ownership by the whole people to fully display its role.

The contract system has also helped promote the development of the commodity economy apart from bringing into play the role the ownership by the whole people. The contract system is aimed at ensuring the delivery of profits. To ensure the delivery of profits, enterprises are bound to seek the greatest profits. This involves the realization of value. Therefore, enterprises must abide by the law of value and realize the value of their commodities through the market. This contract system will speed up the transformation of enterprises from product producers into commodity producers. With this system, enterprises will improve their ability of self-accumulation and be able to provide more commodities for society, to break the separation of departments from regions, to carry out lateral combination between different trades and regions, and to stimulate the formation of a uniform socialist market.

In the socialist commodity economy, apart from persisting in the ownership by the whole people, enterprises should become independent commodity producers who possess their own economic interests. Therefore, the unification of social interests with enterprises' interests is an important symbol differentiating the socialist commodity economy from the capitalist commodity economy. Under the contract system, only when the staff and workers of enterprises ensure social interests, can they have their own interests. This system has enabled the state, the enterprise, and the individual to increase their interests on the basis of the improvement of the economic results of the enterprise.

Another important factor distinguishing the socialist commodity economy from the capitalist commodity economy is distribution according to work. Under the socialist system, laborers are the masters of the means of production. The economic results of enterprises, which are produced by the staff and workers of enterprises, should, naturally, be taken as the basis for distribution. If the income of the staff and workers of enterprises is not linked with the economic results of enterprises, it is inevitable that the practice of "everybody eating from the same big pot" will reappear. If the income of the staff and workers is decided according to the price in the labor force market, this in fact is regarding the labor force as a commodity. The contract system has provided the possibility of more retention from more production. In the first place, distribution is carried out among the workers according to the overall economic results of enterprises. Then distribution is carried out among the staff and workers according to everyone's contribution. This will encourage the staff and workers to do their best in their work.

The Contract System Is Beneficial To Forming a Rational Mechanism for Enterprises

The contract system includes two aspects: One is realizing the combination of the ownership by the whole people with the responsibility system and the other is implementing the responsibility system in various specialized units and departments. This contract system, which is implemented in connection with the socialist ownership by the whole people, has its own characteristics both in content and form.

1. The contract system must be able to ensure a gradual annual increase in economic results. The economic results of enterprises manifest themselves in their profits. The responsibility assumed for the whole people by enterprises under the ownership by the whole people is reflected in the increase in products, the improvement of quality, the increase in the variety of products, and the increase in profits.

2. The contract system must be all-embracing. What is undertaken by contract must include increasing funds, assuming responsibility for society, bringing enterprises' resources into play, and effectively controlling environmental pollution.

3. The targets contracted for must reflect immediate and long-term targets. The term of contract must not be too short. A minimum of 5 years is preferable so as to allow enterprises to draw up their long-term development plans.

4. Apart from contracting for economic and technological targets, it is necessary to contract for the vocational work of enterprises. In its formulation, fulfillment, supervision, and assessment, no economic or technological target is not related with vocational management. Without contracting for the exercising of vocational management, it is difficult to ensure the fulfillment of targets. Contracting for the exercising of vocational management includes contracting for the formulation of standards and procedures, the assumption of responsibility, and the carrying out of cooperation and assessment.

5. The staff and workers of enterprises constitute the main body that undertakes enterprises' jobs by contract. Socialist construction is the cause of the masses. Contracting for enterprises' jobs means that the staff and workers of enterprises assume by contract the duties and responsibility they have for the entire society and people. The contract system should not be an individual contract system of a factory director. The operators of enterprises are the entire staff and workers of enterprises and not just one factory director. Allowing the entire staff and workers of enterprises to contract for jobs will bring not play their initiative in work.

These five aspects of the contract system focus on the unification of the immediate and long-term interests of the state, the enterprise, and the individual. The contract system embraces the vitality of enterprises' mechanism. In the Shoudu Steel and Iron Factory, the role of the contract system has manifested itself in the following figures: The profits it delivers have increased at an annual rate of 7.2 percent; the profits it realizes have increased at an annual rate of 20 percent; in the profits retained by the factory, the ratio between the production development fund, the collective welfare fund, and the salary and bonus fund is 6:2:2; and the ratio between the total amount of wages and the profits realized is 0.8:1. These figures indicate the relationship between the immediate and long-term interests of the state, the enterprise, and the individual. Improper handling of this relationship will disrupt the mechanism inherent in the contract system. The state will not be able to maintain its long-term interests if it does not leave at least 7.2 percent of the profits to the factory. The factory should handle well the relationship between accumulation and consumption so as to keep its staying power for development. In the ratio of 6:2:2, without the "6," the absolute value of the two "2's" that follow will become smaller and smaller. Without immediate interests, staff members and workers will lose sight of their long-term interests, and in such cases, they cannot bring their initiative into play. But without a plan to ensure their long-term interests, they cannot maintain their initiative for long either.

The Contract System Is a Basic System of Socialist Management

Apart from being a basic method for organizing large-scale socialized production, the contract system should also be a basic system of socialist management.

We should devote major efforts to developing the socialist commodity economy, with the aim of invigorating enterprises, as most of the large and medium-sized enterprises under the ownership by the whole people have not been enlivened. How should we invigorate these enterprises and enable them to assume responsibility for the whole people? The contract system is the method.

With the implementation of the contract system, these enterprises will really assume economic responsibility for the whole people, unlike the administrative responsibility previously assumed by the state departments concerned. In the past, enterprises were responsible to the state, but it was impossible for the state to regulate the activities of tens of thousands enterprises according to the changes in social supply and demand. As a result, enterprises were divorced from social demand and could not conscientiously assume responsibility for the whole people. With the implementation of the contract system, enterprises can assume economic responsibility for the whole people. They take the initiative in showing concern for and adapting themselves to the changes in social demand and take part in regulating the national economy. If enterprises stick to "producing the same produces for several decades" in disregard of the changes in social demand and allow their equipment and technologies to remain backward, do not carry forward their production, and make investments blindly, the first to suffer are the staff and workers of enterprises. On the contrary, if enterprises can take account of the need for the coordinated development of the national economy, draw up correct decisions, adjust their product mix and investment orientation, open up new production spheres, and keep producing wealth for society, the staff and workers of enterprises will have more material benefit to enjoy. This is called assuming responsibility for the whole people.

With the implementation of the contract system, the staff and workers of enterprises will, in the capacity of the owners of the means of production under the ownership by whole people, assume responsibility for the people's congress and pay their taxes according to rules and regulations. On this condition, mandated by the whole people, the staff and workers of enterprises will carry out independent operation and management of enterprises, including expanding reproduction. This autonomy will not be interfered with by external factors, with the exception of the decisions made by the people's congress according to law. After delivering the required amount of profits, enterprises can retain the remaining portion, no matter how much it is. Enterprises have the right to carry out self-accumulation, self-transformation, and self-development, to improve the material and cultural life of their staff and workers, and to allow their staff and workers to elect the leaders of enterprises. In this way, the productive forces of enterprises will be brought into full play and the staff and workers of enterprises will display their initiative and wisdom fully because they really feel that they are not only the masters of enterprises but also the

masters of the country. In this sense, the contract system represents democracy both in the economic and political fields.

To fully exercise the ownership and responsibility system by whole people, it is not adequate just to allow enterprises to assume responsibility for society and the whole people. As part of the superstructure, state organs should also assume responsibility for the whole people. State organs and enterprises are a part of the whole people with different division of work. It is inappropriate to assume that enterprises represent the locality and that state organs represent the entity. In fact, state organs are also divided into different departments. Various departments of state organs should also assume responsibility for the whole people and carry out by contract the duties shared among them. If every unit, every department, every enterprise, and every individual shares their effort in exercising the contract system in the entire society, the contract system will certainly become a basic system of socialist management.

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CSO: 4006/887

PAPER ON SEPARATING POWERS IN ENTERPRISES

HK041346 Beijing GUANGMING RIBAO in Chinese 25 Jul 87 p 3

[Article by Zhou Ligu (0719 4539 5942): "Problems Arising From the Separation of 'Two Powers'"]

[Text] The difficulty of deepening enterprise reform and separating ownership from the power of management in state-run enterprises lies in determining the degree of separation of the "two powers" and in selecting a feasible form of separation.

However, as seen from the practice of China's economic structural reform, there still exist some problems in determining the degree of separation.

The characteristics of "partial separation" of ownership and the power of management are state ownership; joint management by the state and the enterprises; the delegating of some management powers to enterprises by the state; and the relating of the income of laborers of enterprises to profit, output value, and other targets of the enterprises. This has strengthened the enterprises' vitality to a certain extent and aroused the enthusiasm and initiative of the laborers. However, "partial separation" and "appropriate separation" are flexible terms. People may make different judgments and have extremely differing understanding of the two terms, and can have much flexibility in practical work. Thus, the owners can still interfere with the enterprises' microeconomic activities. The intrinsic contradictions of "partial separation" of the two powers are: 1) The state still has a hand in enterprise management, sets the prices of the products, decides the appointment and removal of leaders of enterprises, and can give power to and take back power from enterprises. Particularly when the macroeconomy is out of control and the target of an enterprise conflicts with social targets, the state can directly interfere with microeconomic activities and have a hand in enterprises' policy decisionmaking. So it is "natural" for the state to exercise its power in enterprise management. 2) Enterprises still have no absolute power to control their budgets. Enterprises do not have full power of management, and only limited power in deciding their production plans, input and output, and investment policies. And enterprises cannot truly manage themselves and assume sole responsibility for their own profits and losses. Enterprises under poor management can only expect and rely on the state's financial assistance, such as exempting them from tax payments, reducing their tax, and granting them loans. This dependence on the state has

much to do with the ineffective budget control under "partial separation" of the two powers. 3) "Partial separation" cannot truly achieve the purpose of letting the management results of an enterprise decide its income and its workers' income, but can only link the two incomes with its management results. Enterprises cannot fully achieve their economic interests, so they are restricted in strengthening their motive force and releasing their vitality. The intrinsic contradiction of "partial separation" determines its transitional nature, so it is only the initial form of the separation of "two powers."

"Complete separation" of ownership and the power of management can overcome the uncertainty of "partial separation." Under the condition of complete separation of two powers, enterprises can fully exercise their decisionmaking power in business management, can operating independently, and can assume sole responsibility for their profits and losses, so enterprises' position as independent producers of commodities has basically been established. The current experiment of leased management of some medium-sized and small state-run enterprises is actually a kind of "partial separation" of ownership and the power of management. But ownership and the power of management are an entity as well as excluding each other. Under the condition of "complete separation" of ownership and the power of management, the state and enterprises are two totally different economic entities and have different economic interests. When the relationship between the owner and manager of an enterprise becomes one of leasing and borrowing, the state's ownership will be separated from the process of production and management of the enterprise, and will only be manifested in the right to gain some benefits from the enterprise. The owner actually becomes a shareholder and ownership is basically equal to owning stocks. Enterprises as independent economic legal entities and managers as representatives of legal entities have a tendency toward independent development. The interests represented by the managers may conform to or conflict with the interests of the owners. All this comprehends the weakening and partial negation of ownership. It must be further pointed out that after completely separating the two powers, the economic nature of an enterprise will not be decided by the owner, but by the manager.

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PAPER ON CONSUMER DEMAND, INFLATION

HK051210 Beijing GUANGMING RIBAO in Chinese 25 Jul 87 p 3

[Article by Yang Zhenjia (2799 2182 1367) and Du Yang (2629 2543): "An Analysis on the Influence of Expansion of Consumer Demand on the Steady Development of the Economy"]

[Text] In discussing the situation of the economic development over the last 3 years, most comrades maintained that the problem of expansion of society's total demand does exist. However, what is the principle contradiction between the "two expansions" of investment and consumer demands? This is an issue calling for an earnest exploration. Correctly understanding and solving this problem is of great significance in ensuring the current steady development of the economy.

I. Expansion of Consumer Demand Is the Principal Contradiction at Present

At present there is a widely held view in the economic community, asserting that, of the "two expansions" of investment and consumer demands, the expansion of investment demand is the principal contradiction. The reason is that accumulation over the last few years increased very rapidly and it increased by 31.5 percent in 1984, 35.3 percent in 1985, and 34.3 percent in 1986, nearing the highest accumulation level in our country. This being the case, many comrades argued that when there is an expansion in total demand, although we cannot say everything goes well with consumption, the over-large scale of investment and excessive accumulation are still primary. As we see it, in studying last year's accumulation rates, three developments should be taken into account. 1) The net inflow of foreign capital in 1986 amounted to tens of millions of U.S. dollars and this amount of funds was mostly used as accumulation funds or about 2 percentage points of the total amount of the national income currently in use. 2) The portion of the increased consumer demand that has not materialized has been mostly converted into savings deposits. And the savings deposits of the urban and rural population in 1986 increased by 61.43 billion yuan. Most of the deposits were used by banks as loans for investment and circulation funds and the portion converted into fixed asset accumulation and circulating capital accumulation is equal to 5 to 6 percentage points of the total use of the national income. 3) The scale of nonproductive construction over the last few years was very large and this has resulted in a great increase in nonproductive accumulation. It also serves as an important reason for the increased rate of accumulation. In reality, there

has been a drop in the productive accumulation over the last few years. According to the calculations of the departments concerned, at present the proportion of consumption coupled with nonproductive accumulation in the amount of the national income in use has increased from 80 percent in the past to 85 percent while productive accumulation has dropped from 20 percent to 15 percent. The three facts mentioned above have shown that we should not neglect the seriousness of the expansion of consumer demand just because of the superficial increase in the rate of accumulation in the last 2 or 3 years. Of the "double expansions" of the investment and consumer demands, the expansion of consumer demand has become the principal contradiction at present.

The current expansion of consumer demand is manifested in the drastic growth of the employees' total wages in a concentrated way. In the first 3 years of the Sixth 5-Year Plan, the total wages increased at an average rate of 10 percent a year but they rose steeply by 21 percent in 1984, 22 percent in 1985, and still 20 percent in 1986. Cash income of the employees in the January-May period of this year was 15.2 percent higher than in the same period of last year. The growth of wages exceeded that of production, of which the growth of bonuses in the units under the system of ownership by the whole people rose ~~xrtmo~~ [as received] percent from the corresponding period of last year, an all-time high in terms of the same period. Labor protection and welfare and other subsidies also increased rapidly. Apparently, the trend of expansion of consumer demand is continuing to develop. Since it is "easier to increase than to cut down" consumption and since consumption is fairly rigid, if the trend is allowed to develop unchecked and no measures are taken, the consequences will be very serious.

II. The Influence of Expansion of Consumer Demand

The adverse influence of expansion of consumer demand on society's economic life is manifested in the following ways:

First, the premature growth of consumer demand was the direct reason for the price hikes seen since 1984. From 1984 to 1986, the growth of cash income of the urban and rural population substantially exceeded that of commodity supply. Most of the unmaterialized purchasing power was converted into bank savings, some of which was turned into ready money. The bank savings of the residents in the last 3 years increased by 32.22 billion yuan, 40.79 billion yuan, and 61.43 billion yuan, respectively. Practice has shown that the continuous, large-scale premature growth of the residents' cash income is bound to generate price hikes. In the last few years, the state has attached particular importance to the problem of prices very seriously and taken numerous measures but the results have been limited. The momentum of price increases has not been checked. One important reason for this state of affairs is that the growth of currency in circulation is too excessive and the residents' cash income is increasing in a continuous and premature way and by a wide margin.

Second, expansion of consumer demand is one important reason for the financial deficits. In terms of revenue, the growth of wages surpassed that of labor productivity and this resulted in a corresponding decrease in the amount of taxes and profits delivered by the enterprises to the state, which were the main source for the state financial revenues. The bases of violations of financial and economic discipline and of tax evasion in connection with the practice of opening up more avenues of consumption funds in the last few years were committed in a serious way. In terms of expenditures, in the last few years, society's consumption increased drastically, up 68 percent from 40.1 billion yuan in 1983 to 67.5 billion yuan in 1986 and the expenses for administration and management was up 64 percent from 10.22 billion yuan in 1983 and 16.8 billion yuan in 1986. In 1985, against the background of an expansion in consumer demand, the increased nonrecurrent financial revenues were used as recurrent expenditures, of which quite an amount was used as nonproductive expenditure, thus enlarging the base figures of expenditures. In 1986, with the losses in foreign trade increasing and nonrecurrent revenues disappearing, fairly big financial deficits cropped up.

Third, the irregular expansion of consumer demand caused unfairness in distribution, a rivalry for a higher demand, and dissatisfaction among the people. As different localities, trades, enterprises, and units are implementing different policies, their internal conditions are different or their ownership forms, methods of operation, and contract base figures are also different, this has resulted in an abnormally expanded income gap between society's members. This disparity in income is man-made to a certain extent and has no relation to the principle of distribution according to work. The outcome of the irregular expansion of consumption is that a small number of people have a high income; the majority of the people are no match for them, though their real incomes have increased considerably over the last few years; and the real living standards of some people have dropped to some extent as their income increase failed to balance price hikes. This will create contradictions among the masses of people and cause dissatisfaction among some people. The irrational and egalitarian tendency in distribution will lead people to compete with one another for a higher demand and give rise to the unhealthy tendency to "put money above all else" and moreover, the hard won high income will stimulate people's desire for an excessively high consumption. Hence, the so-called "consumption prematurity." This desire for a high consumption is divorced from the level of development of the productive forces at the present stage in China and thus impracticable. It puts harmful pressure on production and imports.

Fourth, more importantly, expansion of consumer demand is detrimental to the smooth progress of reform. As consumption expands, more often than not, the functions of various reform measures are twisted and therefore, they cannot produce the desired results. For example, the purpose of giving enterprises more decision-making powers and increasing their retained profits is to invigorate them and to enhance their ability to transform and develop themselves but the enterprises often used them before everything else to increase bonuses and welfare benefits. The aim of carrying out price reform

is to make structural readjustments and to gradually rationalize the price system.

Some enterprise, however, taking advantage of loosening controls over prices or letting prices rise to market levels, regarded price increases as the most simple and convenient means to make more money and failed to devote their efforts to economizing on raw and semifinished materials, cutting down production costs, improving product quality, and increasing labor productivity. As a result, not only are prices pushed up but the enterprises' economic results have also been seriously affected. Therefore, in a certain sense, if the expansion of consumer demand is not curbed, it will be difficult to get the desired results in using market mechanisms and pushing the reform ahead.

III. The Main Reasons for the Expansion of Consumer Demand

Why have we failed to curb the tendency of the expansion of consumer demand in the last few years? According to an initial analysis, the main reasons behind the failure are as follows:

1. Undue emphasis is put on the influence of stimulating consumption. In the last few years, there has been a view arguing that we should place consumption before production and take the road of "high wages and high consumption." Under the influence of the argument, the role of material incentives and bonuses was unduly stressed. The view, divorced from China's national condition and the possibility to develop production, neglects to develop the fine tradition of plain living and hard struggle and of building up the country through industry and thrift and encourages the unhealthy practices of "working for money alone" and of extravagantly spending state property and wealth. This is one important reason for the continued expansion of consumer demand in our country over the last few years.
2. Macroeconomic balance is not given well-perceived consideration. In the last few years, more consideration was given to the "outstanding accounts" in people's livelihood, thus exceeding the possibility of the development of the current productive forces. In distribution, we failed to conscientiously stick to the two basic quantitative limits that the growth of the employees' total wages should not be higher than that of production and the growth of the employees' average income should not be higher than that of labor productivity. Compared with 1983, the employees' total wages in 1986, increased by 77.5 percent, which was higher than the 56 percent increase in the non-agricultural departments' total output value of society. During the 1984-1986 period, industrial labor productivity increased by 21 percent and the per-capita cash income of the employees increased by 61.2 percent. If price rises are taken into account, the real per-capita wage increase was 33.3 percent or 12 percentage points more than the growth of labor productivity.
3. Reform measures lack coordination. Under the past highly concentrated structure, the expansion of consumer demand was straitjacketed. With power being delegated to lower levels and the economy invigorated, the conditioning

function of the macroeconomy on consumer demand has been weakened and in using their retained profits, enterprise leaders often put bonuses in the first place, public welfare second, and production last.

According to a survey of the departments concerned, some localities, departments, and enterprises tried to find ways of making more money, such as deciding to increase wage subsidies by themselves, putting expenditures on wages into operation costs, reducing contract base figures or contracting on lower base figures, illicitly dividing the taxes and profits to be delivered to the state, apportioning irrational expenses as production costs, capitalizing on the loopholes in the double price system to seek abnormal profits, using production and development funds, funds for trial-manufacturing new products, and reserve funds for other purposes, and fraudulently drawing money from banks or delaying bank loan payments for a long time. Practice has indicated that before effective microscopic self-restriction mechanisms are established, any lax macroeconomic control is bound to generate expansion of consumer demand.

4. Price increases and expansion of consumer demand give impetus to each other, rising steadily. In the socialist planned commodity economy, we should consciously follow and apply the law of value and give play to the regulatory role of prices as a lever. However, in the situation in which market mechanism in our country are not mature enough and total demand exceeds total supply, if we excessively rely on the lever of prices in regulating production, this will easily lead to price instability and generate expansion of consumer demand. For instance, since 1979 the selling prices of farm products have been raised many times and a considerable portion of the peasants' increased income was gained from the price changes. This increased portion of the peasants' income should have gone to the diverting distribution of the national income if the share in distribution of non-agricultural workers was correspondingly reduced. But in reality, as the prices of farm products were raised too rapidly, this pushed prices up to such an extent that the urban dwellers could hardly withstand the strains and not only was their portion in distribution not reduced but they were given necessary subsidies. This is bound to generate a continued expansion of consumer demand. Now the most convenient method for the enterprises to raise their "economic results" is to try every possible means to force prices up and to shift the burdens on to the state or the vast numbers of consumers.

IV. Countermeasures for Curbing Expansion of Consumer Demand

In terms of the current situation, to put the continued expansion of consumer demand under effective control, measures should be taken in the following areas:

1. We should hold fast to the principle of "plain living and hard struggle and of building up the country with industry and thrift." Ours is a big country with a huge population and a weak foundation. Our social productive forces are underdeveloped. Our country belongs to the ranks of low-income countries in the world. In 1986 China's newly added per-capita national

income came to 66 yuan or 0.18 yuan for every person a day. Meanwhile, our country is in the initial stage of socialism. The tasks to develop the economy and to achieve the four modernizations are very arduous. We should rely on our own efforts in accumulating the large amounts of funds needed by construction. These basic conditions determine that we cannot practice the policy of "high consumption" in the longer term. The growth of income and the improvement of living standards can only be based on the expanded production. It is impractical to expect for a premature growth in consumption and income. If we act in violation of the objective economic laws, the result can be everything but encroachment of the fundamental interests of the people.

2. The basic line of thinking about price and wage reforms must be to ensure there is a steady moderate increase in wages and a lesser increase in prices as production expands on the premise that prices are kept stable on the whole. As low-income earners, the ability of our people to withstand the strains of price increases is limited. Therefore, we should refrain from taking the path of stimulating demand and developing the economy by means of inflation. Only when prices are basically kept stable and an excessive demand expansion is avoided can a necessary environment for the long-term, steady development of our economy be created.

3. Unified management and overall balance of consumption funds should be tightened. At present in handling consumption-related matters, we should do away with the phenomena of "divided leadership" and of "each unit doing things on its own way." The principles and policies on and the important general targets of consumption should be put under central unified management and the departments in charge of comprehensive management are responsible for imposing macroeconomic balance on the matter. In the management of consumption funds, we should adhere to the following principles: 1) The growth of the peasants' income should be based on the increased agricultural production and it should not be achieved by relying on increasing the prices of farm products. 2) The growth of the employees' income should not exceed that of production and the growth of their average, per-capita income should not surpass that of labor productivity.

4. The socialist principle of distribution according to work should be conscientiously implemented. At present particular efforts should be made to curb the egalitarian tendency in distribution and to solve the problems resulting from irrational distribution that aroused dissatisfaction among the broad masses of people. For this purpose, first, we should effectively put an end to the situation in which some departments, trades, localities, enterprises, and institutions set too high a target for distribution of bonuses and subsidies by themselves and issued unwarranted allowances in kind. Second, the requisition of taxes, in particular, income tax should be tightened and those who evade taxes should be given severe punishments. Third, the prices of luxurious goods, goods for enjoyment, and some imported commodities should be raised to regulate income distribution. Fourth, appropriate subsidies and relief should be provided to low-income employees who have extremely great financial difficulties with their daily life.

5. Consumption should be correctly guided to lighten the burden on the state. Measures should be taken in all fields of endeavor to restrain "consumption prematurity," to transform consumption patterns, and to step up efforts to work out specific policy measures. The commercialization of residential housing should be carried out in a planned and steady way to absorb society's huge purchasing power. Vigorous efforts should be made to develop social insurance services. It is estimated that the number of old people over age 60 in China by the year 2000 will have come to more than 130 million. Therefore, we should promptly start to establish a pension and insurance fund. Especially among self-employed workers and collective run enterprises, an insurance system should be made compulsory. Insurance services in units under the system of ownership by the whole people should also not be neglected. This will help turn a considerable amount of insurance funds into pension and insurance funds. Not only will the practice lighten the burden on the state and keep the expansion of consumer demand under control but it will also enable us to use the pension and insurance funds which are not in use for the time being as construction funds to promote the development of the state economy.

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BARTER TRADE WITH SOVIET BLOC DISCUSSED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, 1987
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[Article by Li Zhenzhong [2621 2182 1813] "Some Thoughts on Developing Barter Trade with the Soviet Union and Eastern European Nations"]

[Text] In the course of the nationwide opening to the outside, our economic trade ties with the Soviet Union and Eastern European nations are becoming increasingly stronger. The trade contacts of both sides have doubled and redoubled. Even so, since it began at such a low level, the present scope of trade still does not reflect the actual levels of the two sides. Under these circumstances, what form the opening up and developing of economic relations should take has become a matter of great concern to both sides. The author feels that barter trade is the best approach for developing economic trade ties. This article discusses a number of issues related to a new period of China's developing barter trade with the Soviet bloc.

I. Exchanging Commodities in Accordance with the Reality of Both Sides

We know that since the 1970's there has been tremendous development in both the form and scope of international barter trade, and it has become a type of trade taken extremely seriously by all nations, especially the developing ones. But the author maintains that the reason for our actively developing barter trade with the Soviet bloc is mainly because such an approach accords with the reality of both sides.

First, the complementary nature of the economic systems of both sides has provided a solid material foundation for developing barter trade on a reciprocal basis. There is no denying that at present China and the Soviet bloc are at different levels of development. Through several decades of socialist construction, the nations of the Soviet bloc are far ahead of China in terms of industrial systems. Most of these nations have developed industries and advanced technology, especially in the heavy industry sector. Each has its own strengths, and has developed to a relatively high level. The common feature of these countries is that, for the most part, capital is concentrated in industry, and the value of industrial output accounts for a substantial proportion of the gross output value of the national economy. In the Soviet Union, for example, at the end of the 1970's, 80 percent of the gross output

value of the national economy was derived from the industrial sector. On the other hand, the industrial production system in China is continuously being upgraded. Labor-intensive industry still accounts for a relatively large proportion of the national economy, and advanced capital goods are in inadequate supply. As a result, such goods from the Soviet bloc can be assimilated by the China market. At the same time, there is demand in the Soviet bloc countries for many Chinese goods such as light industrial goods and foodstuffs, as well as a good many traditional local specialty products and handicrafts, all of which enjoy a fine reputation in Soviet bloc markets. The GDR vice minister of Foreign Trade was right on the mark when he said, "Your commodities have a ready market here, and although our market is small, it is a promising one for you over the long term." (Footnote 1) ("The Eastern European Nations on Developing Economic Trade Relations with China," p 5; compiled by the Foreign Economics and Trade University, Institute of International Trade Issues, Soviet Bloc Office) In addition, there are somewhat large differences in manpower resources between the two sides; China has abundant manpower resources, whereas certain Soviet bloc countries, the Soviet Union in particular, have manpower shortages. As such, there are broad prospects for cooperation by both parties in this area. In short, the complementary nature of the economic systems of the two sides provides a solid material foundation for developing reciprocal barter trade.

Second, the nature of the currency of the two sides is a determining factor in their need to strengthen reciprocal trade ties through the barter approach. Aside from the Soviet Union, the domestic markets of the other CEMA nations are comparatively small, and they are quite dependent on the world market. But for various reasons, these countries export little to the developing capitalist countries, and a large portion of the commodities they produce is mutually assimilated among themselves. Opening up new markets and promoting export trade is an economic goal of primary importance for them. China encompasses a vast territory, has a large population, and exhibits unlimited market capacity and development potential, which the Soviet bloc countries no doubt find very attractive. At the same time, we also are interested in the Soviet bloc market, which accounts for one-fifth of the world total in terms of territory, and whose national income makes up approximately one-fourth of the world's gross income. Nevertheless, for historical reasons all of our currencies are inconvertible, and we face the common problem of a shortage of free foreign exchange. As such, if cash is used to develop reciprocal trade, it is bound to restrict the extent of trade on both sides, and will be detrimental to the steady expansion of trade over the long term. Consequently, barter trade is the only approach which accords well with the reality of the two sides.

Furthermore, neither side is a stranger to bartering. An important principle in developing economic trade cooperation between nations is that it should be based on equality and mutual benefit, and fully conform to each other's customary way of doing things; only in this way will we be able to generate ample enthusiasm on both sides and develop trade in a sound manner. We feel barter trade is a fairly ideal approach to integrate the foreign trade reality of China with that of the Soviet bloc. The Soviet bloc nations engage in various types of barter trade with developed and developing nations, as well as

socialist countries. The reality of China is that we also are quite familiar with the barter approach; we have been involved with various barter methods, especially over the past few years, and have accumulated a wealth of business experience. Moreover, in our trade dealings with the Soviet bloc we have always employed a specific clearing agreement-type barter trade. Both sides understand each other, so it makes sense to adhere to a barter approach which enhances reciprocal trade contacts.

Finally, both parties have a strong desire to expand commercial intercourse. Since the leaders of the two sides have made many speeches in this regard, it is not my intention to go into unnecessary details on the subject in this article.

II. Positive Effects of Barter Trade for the Two Sides

I have noted above that barter trade is well suited to the realities of China and the Soviet bloc nations, and precisely because this is so, developing such trade by the two sides will bring with it a series of benefits:

1. It Will Be Helpful in Steadily Expanding the Exports of Both Sides

Steadily expanding the scope of exports is an economic goal which all nations, including the socialist nations, pursue competitively in today's world. Moreover, it makes obvious sense for the socialist countries to take advantage of the barter trade approach to achieve their export goals. More important, the one-time simple barter approach of the past is gradually disappearing from the historical scene, and is being replaced by parallel trade, compensation trade, and clearing agreements, all of which frequently continue over a period of time and thus bring relative stability. Clearing agreements, especially, by their nature, have the most stabilizing effect on the import-export activities of both sides. China has always employed the approach of clearing accounts in its import-export trade with the Soviet Union and Eastern European nations, and will continue to emphasize it in the future. It can be said that it helps both sides a great deal to steadily develop exports and expand trade.

2. It Will Help Each Side Make up Deficiencies by Learning from the Other's Strengths, and Contribute to the Rational Deployment of Resources and Improved Circulation in the National Economies of Both

Both the natural and national conditions are different for China, the Soviet Union, and the Eastern European nations, and consequently each has gradually developed its own strengths in the course of economic development over time. If we actively employ the barter trade approach to develop cooperation between the two sides in economic trade, we would more effectively utilize the resources of both. More effectively utilizing resources does not simply mean exchanging Soviet bloc capital goods for China's light industrial products. Actually, there should be abundant cooperation between the two sides. For example, China could consider trading capital goods, such as light industry machinery, for natural resource commodities from the Soviet bloc, especially the Soviet Union. Developing a certain international division of labor with the Soviet Union and

Eastern European nations, suitably founded, would help to more rationally deploy and utilize the natural resources of the two sides, as well as to enhance development of their national economies in a positive way.

3. It Could Bring Comprehensive Economic Benefits to Both Sides by Each Providing the Other With Markets

The peculiar thing about barter trade is that imports and exports go hand-in-hand. It is a form of trade which helps to organically integrate the natural resources and markets of one's own country with those of foreign countries. In other words, the barter approach means set markets for both dealing parties. This is an important reason why many nations today are enthusiastic about developing foreign barter trade. Obviously, in view of the fact that the barter approach provides markets for the two principals involved, a series of positive motivations inevitably derives from it. First, it can reduce the stocks of both sides, so the worth of these commodities can be realized; second, it can increase the facility and equipment-utilization ratio of both parties' enterprises, and create more value; third, it can open up new fields of production and exchange. All of these can help both trading principals achieve economic benefits through what Western scholars describe as the "multiplier effect."

4. It Will Help Both Parties Achieve More Market Diversification

Market diversification is both an objective requirement for international economic development in the present era, and an important signal of a nation's ability to operate in the international market. Consequently, it is an economic goal which all nations strive to attain. The economic trade contacts between China and the Soviet bloc nations have long been at a comparatively low level, and this has not been a help to either side. The trade environment for both sides is now getting increasingly better, and if the two are able to actively develop reciprocal barter trade in a timely manner, the import-export market of each will be more quickly diversified.

III. Some Suggestions on Developing Barter Trade with the Soviet Bloc

Although there are many advantages to barter trade, it is, after all, a rather complex way of doing business. Although China's import-export enterprises have had much experience in such trade, numerous problems await solution, and many applications require further improvement. As things now stand, I feel the following require our full attention:

1. We Must Correct Our Understanding of the Role of Barter Trade

The influence of international barter trade today is gradually expanding, and has attracted the serious attention of China's leaders. But there is no denying that to date certain segments are prejudiced against barter trade. Their understanding of such trade remains at the former simple barter stage. They feel this type of trade is suitable only for solving such present economic problems as our shortage of foreign exchange and interrupted export channels, and view it as a short-term trade policy for overcoming the difficulties of

the movement. Moreover, some people still feel that developing barter trade is a regression in international trade operations, and so reject such trade. Whatever the case, neither helps to develop China's foreign barter trade. Consequently, we need to set things straight. In order to promote barter trade, we need to enable the vast majority of cadres in the economic trade system to renew their understanding of such trade.

2. We Must Increase Publicity, and Promote Understanding of the Markets of Both Sides With Respect to Various Commodities

The economic system of China and that of the Soviet bloc are complementary, and the trade of both sides should develop significantly. But because the two were completely cut off in the course of time, they have an inadequate understanding of each other's export commodities, and some are even still prejudiced. For example, many of the sectors in China which use the goods often feel that Soviet bloc products are high-priced and of inferior quality, and they are unwilling to import from the Soviet bloc market; the result is that China's exports also are affected. Actually, through many years of economic construction many of the industries in the Soviet bloc nations have developed a great deal. Many products, such as East German coal-mining equipment and road-construction machinery, Czech conveyances, Polish metallurgical equipment, and Hungarian aluminum alloy construction materials, enjoy a fine reputation in the international market. The Soviet Union has an even greater number of advanced machinery and electrical products. On the other hand, China in recent years has made rapid progress in the light industry sector, including textiles and household electrical appliances. We are convinced that if we wage a conscientious publicity campaign so both sides truly understand each other's products, there is bound to be a large expansion in the barter trade of the two sides.

3. We Must Develop Barter Trade on Many Levels

In China's mutual trade with the Soviet bloc, we have throughout employed the clearing agreement approach, wherein the governments of both sides schedule consultations, set up an annual plan for exchanging goods, and make up 1 year's trade imbalance the following year. This method makes it easy for each side to schedule production, and helps both to steadily expand trade over the long term. But this approach also has its shortcomings. For example, since under this system each government sets a time to sign agreements regarding an overall trade account, it cannot in timely fashion reflect supply and demand changes in each other's domestic and foreign markets, and it especially cannot adequately reflect the actual requirements of the product consumers at the local level. Consequently, it does not lend itself to fully developing the economic trade relations of the two sides. In order to change this situation, we must adopt a multilevel barter approach. By this we mean comprehensively employing various types of barter trade. The most important of these is for both sides to develop economic cooperation based on compensation trade. We can integrate this approach with clearing agreements, and adopt the flexible method of compensating extra-account items as well. In particular, in the matter of upgrading and replacing more than 200 items imported from Soviet bloc nations in the 1950's, it would be best to give preference to importing upgraded equipment from the Soviet bloc markets through compensation trade.

4. We Must Permit Localities To Develop Barter Trade Directly With Soviet Bloc Nations

Since authority for foreign trade operations was transferred to the lower levels, enthusiasm at the local level for developing such trade has been high. But because there have been many instances of rush purchasing and competitive marketing on the scene in recent years which has led to a drain of assets, the Ministry of Foreign Economic Relations and Trade (MFERT) has adopted a cautious attitude toward local-level foreign trade exports. There is no effective support for developing trade with the Soviet bloc directly at the local level since such trade is quite political in nature. My feeling is that such an attitude does not help us to expand economic trade contacts with the Soviet bloc, nor does it aid development of the local economy. As everyone knows, at present we need to import a large quantity of capital goods from abroad to promote the four modernizations, but our imports depend to a large extent on our exports. If exports remain sluggish, large-scale imports are difficult. Moreover, central departments do not necessarily understand local requirements. If we permit localities to selectively develop barter trade outside government-to-government clearing agreements, they could take the initiative to arrange for the import of needed products based on importance and urgency, and rationally restructure and readjust the economy within their borders. This in turn would motivate exports at the local level, and we would truly achieve a free flow of import and export commodities. In particular, certain border provinces in the north are contiguous with the Soviet Union, and if they were to import goods from that country the freight costs would be much lower than if the goods were shipped in from domestic sources. Consequently voluntarily developing barter trade at the local level based on one's own situation would help to increase the actual benefits to local operations. As for the many issues associated with competition, it would be best to resolve them by employing economic measures. At the same time, we could improve state macromanagement of local foreign economic activity. For instance, we could establish a state barter trade management bureau to coordinate foreign barter trade nationwide, and we could help the localities set up regional associations. For example, we could consider making the large administrative districts of the past the accounting unit, set up separate foreign trade coordination groups, cooperate in division of labor, and jointly handle external affairs. This arrangement not only would be convenient for MFERT leaders in their macromanagement, it would also help to highlight the rules and regulations of general corporations specializing in foreign trade, enhance lateral ties within regions, provide a united front to put pressure on the outside, and increase the percentage of Chinese products in Soviet bloc markets.

5. We Must Improve the Commodity Mix of China's Exports to Soviet Bloc Markets

Economic trade cooperation between China and the Soviet bloc is a comparatively typical vertical division of labor. The other side exports machinery, electrical manufactures, and certain raw materials to us, and we supply it with light industrial, textile, native, sideline, and specialty products, and certain raw materials. China has lagged behind all along in terms of commodity mix in Soviet bloc trade, and if things continue this way it will surely damage our

national image. Consequently, there is a pressing need for us to improve the situation. According to our analysis, China indeed has the ability to improve things. Through a long period of development, an independent and comprehensive industrial system has essentially been set up in China. Not only are we expert in many labor-intensive technologies, and even in some relatively high-level technologies, there also are some which are unique to us, so actually we could appropriately export technology, machinery, and electrical products to the Soviet bloc. Of course it is not very easy all at once to increase the proportion of machinery and electrical goods exported by China. Also, the other side's markets are not too familiar with our products, so they will not be easily accepted. To deal with this, we could restore some traditional methods which have proved effective, using positive and negative incentives, while at the same time we could press our advantage as customer to induce the other side to purchase our machinery and electrical products. The barter approach would help in this regard. We are a customer for some Eastern European nations' staple products, so it is entirely reasonable for us to ask them to help us by assimilating our goods.

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HEILONGJIANG SEZ'S 'UPSURGE OF FOREIGN INVESTMENT'

HK100502 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 10 Aug 87 p 2

[By staff reporter Wang Yangping]

[Text] Harbin--Foreign investors, who used to concentrate in the coastal cities and special economic zones, are now being drawn by improved investment climate and rich resources to other parts of China.

The upsurge of foreign investment in the far northeast in Heilongjiang Province is an example. Foreign investment in the province from January to July hit a record high of \$105 million. This accounted for 80 percent of the province's total foreign investment haul between 1979 and 1986.

"Since 1985, more and more foreign investors have turned to the places where there are rich material resources and comparatively developed industries," said Pang Zhongyin, who is in charge of the province's foreign investment.

Heilongjiang Province, besides giving preferential terms, is rich in resources and also a centre for heavy industry and grain production. The province ranks first in the nation in the output of soybeans, sugar beet, flax, oil and timber, second in the yield of gold and fourth in coal production. "So foreign investment in the province will increase continually in the coming years," Pang predicted.

Pang said the boom in foreign investment this year is the result of proper preparation. The February the province sponsored a seminar at which it explained its preferential investment terms and announced a list of 135 potential projects for foreign investors to consider.

This method paid off at the province's trade fair month when 30 contracts for cooperative projects were concluded with foreign investment totalling \$63.24 million, Pang said.

Up to the end of last month the province had approved 96 joint ventures with a total foreign investment of \$215 million.

Meanwhile the structure of foreign investment has changed from the service-oriented projects at the beginning to projects involving exports, advanced technology, and exploitation of resources.

The Anxin Chemical Company, approved this year by the province as a joint venture between Anda-Chemical Company and Hong Kong International Investment Corporation, is under construction at Anda City.

Of the total investment of 159 million yuan (\$43 million), the Hong Kong corporation put in \$25.39 million and the Chinese side the remainder. The venture plans to use materials from the 300,000-ton ethylene project to produce 20,000 tons of polymethyl methacrylate annually, making the company the biggest producer in the country.

Pang said: "Although the product is in great demand on the domestic market, the venture will export 40 percent of its products because of the need for a foreign exchange balance."

One prominent project among the 30 concluded at last week's trade fair is the Jiamusi Flax Corporation, a joint venture between Jiamusi Flax Factory and H.H.K. Finance Corporation.

The venture in Jiamusi is expected to have 10,000 spindles, weaving 9 million metres of linen annually. The venture is the second largest in the country after the Harbin Flax Factory, whose annual production capacity is 15 million metres.

The Hong Kong Corporation invested \$16.54 million in the 71.39 million yuan (\$19 million) project and will be in charge of the exports of the venture's products.

Pang said the province's output of flax accounts for 93 percent of the nation's total and the province's processing capacity is 97 percent of the national total.

Pang is pleased that all the joint ventures in the province should be able to balance their foreign currency inflow and outflow and usually earn a surplus, because the first thing the government considered when any joint venture was being set up was whether it could balance its foreign currency dealings.

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HENAN ORGANIZES OWN EXPORT CHANNELS

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[Text] Zhengzhou, 7 August (XINHUA)—Henan Province in central China has set its export channels instead of only supplying commodities for export to other Chinese coastal cities.

The province had completed the whole year's quota for exports by 20 July this year. Its export volume has increased by 16 percent annually since percent 1985.

About 70 percent of Henan's goods for export used to be handled coastal cities. But in recent years, the province has been granted greater power of export business, and it has set up its own system of customs, transportation, storage and commodity inspection.

Now it exports its goods to 120 countries and has some 32,000 regular clients abroad. Henan used to export most of its goods to Hong Kong, but now it has markets in Japan, the United States, Western and Eastern Europe, the Middle East and the Soviet Union.

Since trade with the Soviet Union and Eastern European countries was resumed a year ago, those countries have become the second-largest markets after Hong Kong. Exports to those countries took up 20.7 percent of the total in 1986, compared with only 4 percent in 1983.

Since a container dispatch station was set up in the provincial capital of Zhengzhou, the transportation time to Europe and the Middle East via the trans-Siberian railway has become 40 days shorter than by sea.

Instead of exporting raw materials only, the province now sells more ready-made goods and has increased varieties of goods for export.

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CSO: 4020/0254

BRIEFS

MPPR BORDER TRADE PROTOCOL--Ulaanbaatar, 9 August (XINHUA)--China's autonomous region of Inner Mongolia and the neighboring People's Republic of Mongolia Saturday signed their second trade protocol, this one worth an estimated 1.05 million U.S. dollars. Visiting Inner Mongolia Border Trade Company General Manager Ren Huiwen arrived here 2 August for talks with his Mongolian counterpart. Earlier this year, the two sides held their first round of talks in Hohhot, capital of Inner Mongolia, and signed a protocol for trade worth 1.38 million dollars. Trade between the two this year is up 53.2 percent. Inner Mongolia and Mongolia did 412,000 dollars worth of business in 1985, the first year of border trade between them. [Text] [Beijing XINHUA in English 1425 GMT 9 Aug 87 OW] /12232

CSO: 4020/0254

HIGH INFLATION FORCES SHENZHEN TO SET PRICE CEILINGS

OWO81532 Beijing XINHUA in English 1502 GMT 8 Aug 87

[Text] Shenzhen, 8 August (XINHUA)—Rapidly rising prices have forced the government of shenzhen, Guangdong Province to set price ceilings on many non-staple foods and stock state stores with 2,000 tons of extra pork beginning Monday.

In a notice issued today to all stores here in China's largest special economic zone, the Shenzhen City Government warns that neither state shops nor private peddlars may raise retail sales price of non-staple food above the government-listed ceilings.

Since the beginning of this year, the price index in Shenzhen has soared to a monthly rate of over 10 percent, higher than any other area in Guangdong. The price index for non-staple food has risen 26 percent and the price of vegetables have jumped 65 percent so far this year.

The Shenzhen City Price Control Bureau attributed the sharp price rises to speculation by private peddlars and the negligence of state stores.

Shenzhen Deputy Mayor Li Guangzhen said, "The price ceiling is primarily designed to crack down on private peddlars who speculate and to protect the interests of consumers."

The ceilings are a temporary measure and a "new effort" by Shenzhen authorities to effectively control prices after market forces became predominant in determining prices, he told Xinhua. "We'll revise the police in line with its results and changes in the market," he added.

He urged state stores to take the lead in observing the ceilings, improve management, participate in market competition and open more retail outlets.

State stores have purchased vegetables and pigs from neighboring Hunan Province as part of the government effort to keep prices stable.

A leading official of the city Price Control Bureau said that a citywide price inspection will begin Monday to penalize merchants raising prices without prior approval.

RENMIN RIBAO REPORTS DEVELOPMENT OF XIAMEN SEZ

OW181418 Beijing XINHUA in English 1129 GMT 18 Aug 87

[Text] Beijing, 18 August (XINHUA)--People in the Xiamen Special Economic Zone (SEZ) earn 1.67 times more than they did 6 years ago, as the zone has made great efforts to reorient its economic to the needs of the international market.

The fast developing export-oriented economy has helped solve the long-standing unemployment problems as it has given jobs to more than 50,000 people since the zone was established in 1981.

A coastal city in Fujian Province, Xiamen is one of China's four special economic zones. according to a report in today's PEOPLE'S DAILY, every since it was established in 1981, the economic zone has yielded a total revenue of 3,100 million yuan, 2,190 million of which was earned in the last 3 years--over 2 times more than that of the previous 3 years.

To date, the special economic zone has signed 259 joint venture contracts with a total investment of 920 million U.S. dollars and 157 such ventures are in operation.

Though it started later than the biggest special economic zone at Zhenzhen in Guangdong Province, it has taken steady steps, paying great attention to improving the investment environment especially in transportation, telecommunications and energy resources. It has completed four berths with tonnage ranging 10,000 to 50,000, double the handling capacity of Xiamen Harbor. And the city's international airport, built in 1983, has opened 13 domestic and international air routes with more than 50 flights every week.

Meanwhile, a program-controlled telephone exchange introduced from Japan has enabled the city to communicate through direct-dial telephones with all the country's big and medium-sized cities as well as with the United States, great Britain, Italy, France, Japan and Singapore.

A new industrial area is also under construction. So far 400,000 square meters of factory buildings have been completed, together with residential quarters for both its workers and foreign businessmen.

In introducing foreign investment, Xiamen puts emphasis on production, technologically-advanced and export-oriented enterprises. The number of

productive projects signed since the beginning of last year accounted for over 90 percent of the total signed in this period. The industrial output value of productive enterprises in operation topped 439 million yuan last year, and the percentage of the total output value has increased from 17 in 1985 to the present 46.9.

While encouraging foreign investors to establish productive and export-oriented enterprises, the zone has invested 512 million yuan in retooling the more than 200 old enterprises by introducing advanced technology and equipment from abroad and other places in China.

The zone has also set great store by establishing economic and technical cooperation with Chinese enterprises in other parts of the country. Altogether, it has extended relations with 26 municipalities and provinces, and 11 ministries under the state council, as well as a number of institutions of higher learning and scientific research institutes, which have jointly launched 642 enterprises in the SEZ.

/12232

CSO: 4020/0254

LIU JIANG ON FARM MECHANIZATION

Beijing ZHONGGUO NONGJIHUA BAO in Chinese 14 Jul 87 p 1

[Unattributed article: "Liu Jiang, Vice Minister of the Ministry of Agriculture, Animal Husbandry, and Fishery, Discusses Farm Mechanization; Growth Has Been Basically Healthy in the Past Few Years; Rural Economic Reforms Have Necessitated Active Mechanization Efforts in Such Areas as Improving Technological Transformation, Promoting Work Force Transfers, and Perfecting Service; Farm Mechanization Will Continue To Grow in China"]

[Text] The Ministry of Agriculture, Animal Husbandry, and Fishery held a news conference on 3 July 1987 to report on the condition of farm mechanization. Liu Jiang [0491 3068], vice minister of the Ministry of Agriculture, Animal Husbandry, and Fishery, issued a bulletin to the press on the growth of farm mechanization in the past few years. Moreover, he discussed his views on six relatively interesting and sensitive social issues. The contents were as follows:

How Has Farm Mechanization Grown Since the Joint Production Contract Output-Related System of Job Responsibility Was Generally Put Into Effect in China's Rural Areas?

Many new conditions and issues have arisen in the process of developing farm mechanization in the past few years. In order to correctly analyze the situation, we should first set forth the main points of farm mechanization growth in the past few years.

1. There has been a big increase in the amount of farm machinery. Since the 3d Plenum of the 11th CPC Central Committee, the joint production contract output-related system of job responsibility has generally been put into effect in the rural areas and, along with the rapid growth of the rural economy, there has been a big increase in the amount of farm machinery. From the end of the Fifth 5-Year Plan to the end of the Sixth 5-Year Plan, China's farm machinery power rose 41.8 percent, our tractor power rose 53.3 percent, and the number of our farm trucks increased 2.16-fold. By the end of 1986, our farm machinery power had reached 228 million kW, or a 9.55-percent rise over 1985, the number of our large and medium-sized tractors had reached 867,000, or a 1.6-percent rise over 1985, and the number of our small tractors had reached 4,532,000, or a 16-percent increase over 1985.

2. Most farmers now own farm machinery either privately or jointly and, moreover, the trend is toward more growth in this direction. Putting the joint production output-related contract system into effect in the rural areas has given farmers the autonomy to own, buy, and manage farm machinery. In line with the need to produce more and help workers make more money, not only have farmers bought many farm tools and machines that formerly were collectively owned, but they also have bought much new machinery on an even larger scale. By the end of 1986, the number of tractors that were owned either privately or jointly by farmers throughout China had reached 4,743,000, or 87.3 percent of all the tractors in China; the number of farm trucks thus owned had reached 318,000, or 64.4 percent of all the farm trucks in China. Private or joint ownership by farmers accounted for 66.2 percent of the 61.45 billion yuan in gross value of farm machinery and fixed assets throughout China. In the past few years, farmers (and collectives) have spent some billions of yuan of funds every year to buy new farm machinery; according to farm machinery sales department statistics, 3.9 billion yuan a year was thus spent in the Sixth 5-Year Plan. In 1986, farmers spent 7.2 billion yuan to buy machinery, most of which was for private purchases. By the end of 1986, there was a net increase over 1985 of 774,000 tractors that were owned privately by farmers. This surpassed the national increase of 693,000 tractors, showing that some tractors formerly owned by the state or collectives had again been transferred to farm families. This trend is expected to grow.

3. The level of farmland tillage mechanization has not correspondingly risen along with the rise in farm machinery ownership. In the past few years, quite a few people have been paying attention to the fact that the level of farm work mechanization has stagnated, and has fallen in many areas. In the initial stage of putting the output-related system of job responsibility into effect in the rural areas in particular, the areas that were ploughed, sown, and harvested by machinery all decreased in varying degrees. Although the 590 million mu that was ploughed by tractor in 1986 was a 4.3-percent rise over 1985, it was still less than 1979's record 630 million mu; the 197 million mu that was sown by machine in 1986 was also less than 1979's 230 million mu. The 57.6 million mu that was harvested by machine in 1979 rose to 73.78 million mu, or a 28 percent increase, in 1986. The level of farm work mechanization has fallen, on one hand, because the farm work machinery utilization rate has fallen and, on the other, because the composition of farm machinery work has also changed. In the past few years, agricultural transportation and processing work has increased to a great extent. Analysis shows that more than 50 percent, and often as high as 70 to 80 percent, of the work now performed by farm tractors is transportation work. This is the inevitable result of farmers making rich material gains by spontaneously choosing to use farm machinery in production and circulation fields other than farm work.

4. Farm mechanization has played an active role in agricultural production and rural economic growth, and economic results have improved considerably. In the past few years, most farm machinery management units have not incurred losses. In 1986, the gross income of farm machinery management units throughout China (including state-owned, collective, cooperative, and private management units) was 31.5 billion yuan, and the net income was 14.87 billion yuan. Farm mechanization has made positive contributions in rush work periods, fighting natural disasters, raising labor productivity, and promoting industrial

structure reorganization. In 1986, popularizing farm mechanization technology actively raised grain output and served the diversified economy. According to incomplete statistics, stressing popularization of six projects, such as plastic ground cover mechanization technology and mechanized raising and transplanting of rice seedlings, achieved direct economic results of 600 million yuan. Improved farm mechanization results have enabled farm mechanization to be full of vitality.

It can be seen from the above basic points that putting the joint production contract output-related system of job responsibility into effect in the rural areas has played a major role in farm mechanization. Major changes have occurred in the organizational basis, operational structure, and management conditions of farm mechanization growth. The major areas of change are that farm mechanization work has been guided to avoid the methods of relying on administrative orders, depending on state input alone, and striving for high targets and high speed. The major method has been to let farmers and producers choose the machinery that they need. This has been well suited to the objective laws of economic growth. Most growth issues have arisen because relationships have not yet been put in order in this period of structural change and the new system replacing the old. These issues will have to be solved by further reforming, reorganizing, and improving farm mechanization management and service. Thus, our basic conclusion is that the growth of farm mechanization in the past few years has been basically healthy.

What Demands Has the Major Role That Rural Economic Reform Has Played in Farm Mechanization Made on Further Reform of Farm Mechanization Growth?

The first stage of rural economic reform was improving production relations and putting an agrarian joint production output-related contract system into effect, and was bound to involve the ownership and management of production tools. In dealing with these relations, the Central Committee promptly put forth the pragmatic policy of letting farmers own and manage farm machinery privately. This solved the autonomy issue for farm mechanization growth. Farmers have acquired autonomy, and their enthusiasm has been fully aroused. This is the basic difference between the past and present stages of mechanization growth, and also the most obvious role that rural economic reform has played in mechanization. This general prerequisite has resolved the basic motivation issue for mechanization growth.

Of course, we should also understand that putting the joint production contract output-related system of job responsibility into effect in the rural areas has certainly not only promoted farm mechanization growth, but has also limited it in a sense. We analyzed this point at the 1986 National Farm Work Conference. Since farm machinery is a major component of quite advanced productive forces, fully developing these productive forces will require correspondingly large plots of land, high management and administrative standards, and specific social production organizations. Under the agrarian joint production output-related contract system, land is being managed on a smaller scale, plots of land are more scattered, basic-level farm machinery organization is weaker, and farmers' educational levels and management and administrative standards

are still quite low. Thus, a certain amount of discordance has arisen between mechanization and the output-related system of job responsibility. Of course, through improving the output-related system of job responsibility for production and farm machinery management, some places have also done a good job of combining centralization and decentralization, thus enabling mechanization to play a better role. Taicang County in Jiangsu Province proceeded from actual local conditions and carried out a farm machinery policy of "village-based collective management and specialized service." More than 95 percent of the farm machinery throughout Taicang County was put under the control of cooperative township and village economic organizations, and 84 percent of the villages set up collective farm machinery, irrigation, and drainage teams under centralized management. Farm machinery work was centralized and farmland management was decentralized, relieving farmers' worries about such jobs as ploughing, irrigation, and drainage, and resolving the relationship between mechanization and the output-related system of job responsibility. But from an overall national perspective, most farm machinery management is decentralized, very little work has been done in centralizing and connecting land, and many places have yet to reorganize and improve the relationship between centralization and decentralization. We must fully understand this.

We think that carrying out the second stage of rural economic reform has made three major new demands on farm mechanization growth: 1. It will be necessary to perfect the management contract and farm machinery management output-related systems of job responsibility in the rural areas and, along with rural economic growth in particular, reorganize the relationship between centralization and decentralization, centralize as much as possible that which should be centralized, and create the conditions to use more machinery. It will be necessary to actively develop the roles of basic-level farm mechanization service organizations and collective farm machinery centers, do a good job of organizing socialized service, expand the scope of management, and raise the farm machinery utilization rate. 2. It will be necessary to continue to put farm mechanization directly into agricultural production and circulation, develop higher labor productivity, and create better economic results. 3. Mechanization will have to contribute to transferring the rural work force. The issue of using machines in place of workers has now been placed on the agenda in economically developed areas. For instance, less than one-half of the work force in the Chang Jiang and Zhu Jiang delta areas are farmers. There is a strong demand to mechanize those production work links in particular that take a lot of work, time, and effort. Otherwise, the overall growth of rural and township industry could be affected. In addition, the growth of mechanization itself can also open up many new production channels. For instance, several thousand farm families in suburban Tianjin have actively developed the raising of chickens in coops, and their egg production has been able to provide more than one-half of Tianjin's market supply. Furthermore, there is a great potential for mechanization growth in processing agricultural sideline products, such as grain, cotton, oil, hemp, silk, tea, sugar, vegetables, tobacco, fruit, and sundry herbs. In summary, rural economic reform has demanded that active mechanization efforts be made in such areas as improving technological transformation, promoting work force transfers, and perfecting a service system. The key issue is improving the agricultural productive forces.

Is Mechanization Necessary and Possible Under China's Present Conditions?

Judged by the common patterns of man's production growth, it is necessary to use machinery to raise labor productivity. In order to modernize agriculture in China, it will be absolutely necessary to continue to realize the goal of mechanization. But limited by China's national conditions, the interrelated factors of farm mechanization growth are quite complex. In addition, we took certain detours in our past mechanization that have taught us profound lessons. Certain problems have also arisen now, which have caused people's understanding of mechanization to be less than unanimous. Infact, as early as the initial stage of putting the joint production contract output-related system of job responsibility into effect in the rural areas, there was talke of "fixing farm output quotas for each household being detrimental to mechanization." At present, some people still oppose "petroagriculture" and reject mechanization. We think that it will be necessary to clarify three issues: 1. Is mechanization necessary when there are too many people and too little land? 2. Is mechanization possible when rural land is under decentralized management? 3. How can mechanization be carried out when there is an energy shortage? Clarifying these issues will be a great help for people in correctly understanding the mechanization issue.

Whether mechanization is necessary when there are too many people and too little land is a much-disputed issue which must be analyzed specifically: 1. It must be admitted that too many people, too little land, and relative farm worker surpluses are some of China's basic conditions. Moreover, these national conditions are a major limiting factor in mechanization growth. But we must also realize that since farm workers are not evenly distributed in all regions, the general situation of too many people and too little land does not negate the fact that some of China's areas, such as Heilongjiang and Xinjiang, have too few people and too much land. In addition, agricultural production is characterized as being highly seasonal and having short periods of concentrated work. In the busy farming season, not only do the places that have too few people and too much land experience labor shortages, but those that usually have relative farm worker surpluses also experience them. Moreover, being unable to rush-work for even a single day in the farming season could be detrimental to a season's or even a year's production, whereas mechanization plays an enormous, generally recognized role in the busy farming season and in fighting natural disasters; 2. There are many interrelated factors that affect farm mechanization growth, and practice has proved that the economic level is the one that plays the major role. Farm mechanization growth in the past few years has shown that, although there are too many people and too little land, economically developed areas have all required faster and more intensive continued growth. There is less than 1 mu of cultivated land per capita in Guangdong Province's Nanhai County, farmers make up less than 4 percent of the rural work force, and the level of mechanization has risen quickly in the past few years. At present, 95 percent of theri ploughing is done by tractor, 90 percent of their irrigation and drainage is done by hydroelectric machinery, and 96 percent of their rice is threshed by machine. They are still handicapped by a lack of suitable rice transplanters and harvesters, but mechanization of the rice production process is expected to take a big step forward. The results show that although there are too many people and too little land

in economically developed areas, township industries grow quicker, more farmers are transferred to other jobs, the value of a workday is higher, there is more money, better results are achieved by replacing man with machinery to carry out production, there is a more pressing need for mechanization, farmers' scientific and technical standards and management capacities are higher, and social service organizations are better. These have become the major factors in farm mechanization growth. Thus, economically developed areas will have to be in the forefront of China's mechanization growth. 3. China's relative labor surpluses are caused not by mechanization growth, but rather by backward agricultural productive forces. The basic goal of developing mechanization is precisely to equip agriculture with technical equipment and raise the level of the agricultural productive forces. As stated above, mechanization growth itself can also open up new production channels for the rural work force and, thus, developing farm mechanization does not run counter to developing the rural economy.

Whether mechanization is possible when land is under decentralized management is also an issue that has caught the general attention of people in the past few years. Land being decentralized and fragmented has indeed caused some problems in using machines, and the problems were greater in the initial stage of putting the output-related system of job responsibility into effect in particular. This was because the former method of developing mechanization was based principally on a production-brigade scale, which was unsuitable after management was transferred to families. Through the past few years of farm mechanization, we have begun to realize that the contradiction between large machines and small plots of land will have to be solved in the following ways: 1. It will be necessary to appropriately develop machines that are suited to management by farm families on a small scale. Overall results are generally poorer when machines are too small, but small machines are now suited to the family economy and must still continue to be developed. 2. It will be necessary to perfect an output-related system of job responsibility for agricultural production which combines centralization and decentralization. We should centralize that which should be centralized, and decentralize that which should be decentralized. Practice has proved that relatively centralizing and connecting plots of land and centralizing machine work favor developing the efficiency of machines. The places that can should do this as much as possible. 3. It will be necessary to develop extensive socialized service. At present, many farm families buy machines only for convenience because social service is imperfect. If social service catches up and farmers' ploughing, cultivation, insect extermination, irrigation, and drainage needs are ensured, each family will not necessarily have to buy machines.

Our analysis has shown that improving socialized service and perfecting complete sets of farm machinery and tools have become the keys to realizing mechanization when land is under decentralized management. Priority will generally be given to developing mechanization projects that are less restricted by the scale of land management (such as agricultural sideline product processing). Overall farm mechanization will be generally developed along with an expanded scale of land management and a better degree of socialized service.

Another matter that has caused much talk in recent years is that farm mechanization growth has been challenged by a shortage of diesel oil. We think that this matter should be dealt with conscientiously. The relative shortage of diesel oil for agricultural use has indeed become increasingly serious along with the growth of mechanization. China's machinery that is powered by diesel oil used 93.9 kg of diesel oil per kW in 1980, but this had dropped to 58.5 kg by 1985 and was basically the same in 1986. In 1987, China has adopted a policy of "linking grain to oil" to encourage farmers to grow and deliver grain to the state, and has increased the supply of diesel oil for agricultural use. But since the amount of machinery powered by diesel oil has increased too fast in the past few years, the situation has not been basically alleviated. The fact that there is a shortage of diesel oil has made us conscientiously consider scale and pace when developing farm mechanization. We think that it will be necessary to take active steps to fully develop the role of the limited amount of diesel oil for agricultural use and coordinate mechanization growth with diesel oil supply. This should be begun mainly in the following areas:

1. The state will have to take practical steps to effectively control the increase of diesel-powered farm machinery. The amount of diesel-powered farm machinery increased by an average of 7.7 percent a year from 1980 to 1985. This growth rate was too fast, and should be kept below 4 percent and synchronized with the agricultural growth rate.
2. The proportions of oil- and electric-powered machinery should be changed, raising the proportion of electric-powered farm machinery and using as much of it as possible for regular farm work. This will have to be realized by technical development policies for overall control and guidance being drawn up by the state.
3. Agricultural diesel oil management will have to be revised, ensuring that agricultural diesel oil is truly used for agriculture. There are now many problems in supplying, using, and managing diesel oil, and some agricultural diesel oil has leaked into other fields of production. It will be necessary to take steps to improve management, correct unhealthy tendencies, and ensure that agricultural diesel oil truly plays its role in agriculture.
4. It will be necessary to develop new sources of energy, fully using such energy as wind, hydroelectricity, and methane gas.
5. It will be necessary to vigorously develop ways and tap potentials to save diesel oil.

Based on investigation and analysis, a lot of farm machinery and tools now have poor technical standards and a far higher fuel-consumption rate than specified. An analysis of 1986 statistics shows that the present average fuel-consumption rate of small tractors exceeds the standard 28.1-percent, and can be cut 45 grams per kWh through tuning and maintenance. In 1986, small tractors throughout China had a motive force of 40 million kW. Based on 1986 average oil use per kW, tuned and maintained small tractors can save 360,000 tons of diesel oil in 200 hours of work. It can be seen that there is a great potential to save fuel. We think that if the above appropriate steps are taken, the agricultural diesel oil shortage can be largely alleviated. It must also be pointed out here that along with the rise of the recent international revolution in agricultural technology, discussions on domestic agricultural development strategy have been very active and many new scientific views have been widely disseminated. This is a very good thing. Some views have greatly affected

farm mechanization growth, such as that "ecoagriculture" opposes "petro-agriculture." The existence of differing views is normal, but we must scientifically analyze them, proceed from China's actual conditions, study the necessity and inevitability of farm mechanization, and decide on a growth strategy. We still have many theoretical issues that must be studied in this area. It must be clarified that farm mechanization will have to continue to grow in China, and our belief in mechanization is unshakable.

12267/9738

CSO: 4006/0842

MILITARY, PUBLIC SECURITY

PLA PRODUCES, USES LASER-GUIDED BOMBS, SHELLS

OW180932 Beijing Domestic Service in Mandarin 2230 GMT 17 Aug 87

[From the "Military Life" program]

[Excerpts] Dear listeners, I am Yang Tao. "Staff Officer Yang Discusses Military Affairs," is on the air again today.

In addition to weapons that use laser to directly destroy enemy targets and inflict casualties on its personnel, there are weapons, and are different from laser weapons in that they use ordinary bombs, shells, and guided missiles, rather than laser beams, to inflict casualties on and destroy the enemy.

At present the laser-controlled weapons we are developing and using are laser-controlled bombs, shells, and guided missiles. Laser-controlled guided missiles include laser-controlled antitank missiles, laser-controlled air-to-surface missiles, and laser-controlled surface-to-air missiles.

Laser radar is another military use of lasers. Installed on a fighter plane, laser radar serves as a pair of eyes for the pilot which are capable of recognizing small targets, making it possible for the plane to promptly and precisely avoid all obstacles. In addition, a fighter plane equipped with laser radar for measuring distance and angles will be able to effectively overcome interference from the ground and correctly distinguish between targets which are hard to differentiate. This considerably increases the accuracy of gunfire from the plane.

Lasers can also be used in measuring distance. There are many other uses of lasers. They can be used to control the timed explosion of warheads. Simulated laser facilities are used in firing practice and weapons testing. Laser holographic equipment can be used to increase reconnaissance effectiveness. Large-screen laser color displays can be used at higher command centers to illustrate the situation we and the enemy are in, and contrast the strength of troops on both sides.

/12624
CSO: 4005/956

IMPROVED LOGISTICS IN STRATEGIC REAR AREAS

Beijing JIEFANGJUN BAO in Chinese 12 Jul 87 p 1

[Article by Song Wnnjiu]1345 2429 3773] and Wang Yihua [3769 5030 5478]:
"Regularization of Armed Forces; Strategic Rear Area Warehouses Takes A
New Step Upward"]

[Text] The armed forces on-site meeting about regularization of strategic rear area warehouses, which opened on 10 July at a certain location in the Central Plains, revealed a panorama of a military parade and a troop review, a systematized, sequenced, and standardized warehouse control system, and a treed barracks area. The regularization of strategic rear area warehouses in China's armed services has parted from a low level to take a new step upward.

After many years of effort, the regularization of strategic area warehouses in China's armed forces has begun to take shape. Warehouse regularization has taken a new path of systemization of control over individual vocational tasks, the sequencing of work procedures, the standardization of facilities and equipment, and turning barracks areas and warehouse areas into treed groves.

In the process of regularizing warehouse controls, numerous warehouses have promoted management by objective centering around personal responsibility system from the warehouse director and political commissar at the top to the eight major kinds of personnel at the bottom; from overall warehousing policies at the top to every work site at the bottom, with everyone working toward objectives and each position having rules and regulations to abide by, cadres at all levels in warehousing thereby shifting from management based on experience to management that relies on skills and systems. Despite a one-third reduction in the number of personnel, but no reduction in the amount of receiving, shipping, and control, quite a few warehouse personnel completed their tasks outstandingly, with no loss, damage, or spoiling of materials.

In view of the increasing development of science and technology, strategic rear area warehouses have also devoted serious attention to the introduction of new techniques, new fields of learning, and new equipment into the regularization of warehouses. As of now, 40 percent of all strategic

rear area warehousing units throughout the armed forces have installed microcomputers, and 20 percent have mechanized or semi-mechanized hauling, stacking, loading and unloading, and release.

9432/9190

CSO: 4005/879

2D ARTILLERY CORPS ENGINEERING COLLEGE REFORMS OBJECTIVES

Beijing JIEFANGJUN BAO in Chinese 9 Jul 87 p 1

[Article by Zhang Jiajun [1728 1367 6511] and Zhang Yuying [1728 3768 3853]: "Engineering Academy Institutes Teaching Reforms To Meet Strategic Changes. Starts New Courses and Readjusts Professional Orientation"]

[Text] Following extensive theoretical exploration and scientific validation, a certain engineering academy in the Second Artillery Corps has changed simple innovations involving equipment and techniques in the direction of specialized development of courses so that teaching stimulates scientific research and scientific research promotes teaching. Between 1981 and June 1987, 1,202 scientific research tasks were completed, 30 of them earning science and technology progress awards from the state and from within the armed forces. A total of 685 academic papers were published in Chinese and foreign periodicals, and these scientific research results were used for the writing of formal training materials of more than 5 million words, thereby effectively promoting both reform of the content of instruction and improvement of the quality of instruction.

Formerly the 14 teaching and research sections of this academy were responsible for only a single specialized teaching task, but in recent years, it has used this course as a pivot for the development of scientific research activities from which 14 achievements have been scored. It has also used these achievements to enrich teaching materials, readjusted the former focus of specialization in the direction of electronics and optics, added three specialties needed by troops units, and wrote a training manual titled, "Missile Maintenance." It provided experience to military engineering technical institutions on how to institute improvements in the content of instruction in order to meet needs arising out of strategic changes, which were approved and commended by General Staff leading organizations. Professor Xu Hualong [6079 0553 7893], and other comrades in the automatic control teaching and research section made more than 10 major modifications to missile rapid launch plans, thereby shortening launch times, and they used these achievements to optimize the content of training material. Use of these plans in troop units has effectively increased the nuclear counterattack capabilities of China's armed forces.

The academy also put to use its own scientific research forces to bring about a modernization of training equipment, successfully developing the Chinese armed forces' first strategic missile technical training simulation system, the armed forces missile instruction and training methods thereby attaining the international standards of the 1980's. Use of this simulation system in troop units will permit the country to save huge amounts in military expenditures.

9432/9190

CSO: 4005/879

ANHUI PLA LEADER VISITS RESERVE DIVISION

OW140029 Hefei ANHUI RIBAO in Chinese 9 Jul 87 p 4

[Text] Some leading cadres from the Anhui Military District and the provincial government recently visited the reserve division in Chuxian Prefecture, and helped it solve problems. They included Li Yuanxi, commander of the military district; Zhao Huaishou, secretary general of the provincial government; responsible comrades of the provincial finance department; and responsible comrades of the military district headquarters and logistics department. They successively visited four regiments to listen to opinions and requests from grassroots units. They also braved rain to inspect the offices and living quarters of active-duty servicemen working in reserve regiments. After conducting on-the-spot surveys, they helped the regiments select sites for building new barracks. At the divisional headquarters, they held a meeting of responsible comrades of prefectural and county party and government organizations, and discussed major plans for building up the reserve force.

The reserve division in Chuxian Prefecture is the only reserve unit in Anhui Province. In the last 4 years, it has made fairly good progress. However, some of its practical problems have not yet been solved, and both its working and living conditions are comparatively poor, due to limited financial resources. To improve these conditions, responsible comrades of the provincial government and the military district immediately decided to appropriate 1.2 million yuan to solve the problems of offices, dormitories, and furniture for those active-duty servicemen in the reserve regiments. The counties where the reserve regiments are stationed have each allocated 5 to 10 mu of land for regimental housing projects.

The visit has enhanced the leading cadres' understanding of the great significance of the reserves, and brought about closer army-government and army-people relations.

/12624

CSO: 4005/945

BRIEFS

SUBMARINE BATTERY RECHARGER—The Academy of Naval Engineering has developed a fast battery recharging device for conventional submarines that saves time, effort and fuel, and that is of both military and economic value. This solves a longstanding problem in submarine battery recharging at sea, which took a long period of time, consumed large amounts of fuel, and required much labor by submariners. The installation of a quick recharging device can cut the former 8 hours of charging time to 4 for an 0.3 ton saving in fuel, a 30 percent lengthening of storage battery life, a lengthening of submarine submerged running time, and an increase in combat mobility. [Text] [Beijing JIEFANGJUN BAO in Chinese 9 Jul 87 p 2] 9342/9190

SUBMARINE AIR QUALITY—The cabins of both conventional submarines and nuclear submarines contain various kinds of toxic gases. Maintenance of the health of submariners and increasing combat strength requires testing of the air in submarine cabins to find out the kinds of various gases present in cabins, to locate the sources of pollutants, and to determine their effect on the human body in order to apply the remedies that fit the problem. After more than 10 years of research on submarine cabin air in different ocean areas and in differently powered submarines, scientific researchers in the Air Analysis Unit of the Institute of Naval Medicine have devised testing methods for 4 different components of submarine cabin area. They have conducted on-the-spot quantitative analysis to obtain reliable data that they have used to research and develop "Submarine Air Component Test Methods and Standards." [Text] [Beijing JIEFANGJUN BAO in Chinese 9 Jul 87 p 2] 9432/9190

TIBETAN CADRES IN XIZANG MD--Lhasa, 8 Aug (XINHUA)--Currently, about 10 percent of cadres of the Xizang Military District are of Tibetan nationality. More than 110 Tibetan cadres are assuming leading posts at corps, divisional, and regimental level. The promotion of a large number of Tibetan cadres to leading posts at various levels has strengthened unity between Tibetan and Han cadres and fighters, and further promoted good relations between the Army and the Government and between the army and the people. This has also created new vitality in the PLA units. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 2331 GMT 7 Aug 87 OW] /12624

HUBEI STRIVES FOR STREAMLINED ADMINISTRATION

HK061558 Wuhan Hubei Provincial Service in Mandarin 0900 GMT 5 Aug 87

[Excerpts] According to our station correspondent (Hu Jiming's) report on a recently held provincial work conference on advanced management of enterprises and institutions, areas throughout the province have adopted positive measures to strictly control the expansion of the sizes of organizations. The number of this year's new personnel in administrative organs and institutions has been brought under control and has also fallen, thus making successful preparations for the next stage's political structural reform, and showing the great efforts made for promoting the "double increase and double economy" campaign as well as for reducing financial expenditures.

During the first half of this year, there was a substantial drop in the total number of personnel within those institutions directly under the general office of the provincial staff committee as compared with the same period last year. Areas throughout the province have also strengthened the staff management at administrative organs, strictly controlled the expansion or upgrading of organizations, and abrogated or merged a number of overlapping organs. This year Shiyan City has abrogated 5 organizations including the peasant association, and properly merged 72 bureau-level organs into 11 organs. Anlu and Chongyang counties have also abrogated or merged a number of irrationally established organs.

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CSO: 40050955

HENAN URGES CRACKDOWN ON ILLEGAL PUBLICATIONS

HK140143 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 13 Aug 87

[Excerpts] A provincial conference on straightening out newspapers and publications and cracking down in illegal publications, which was convened in Zhengzhou on 13 August, stressed that all prefectures and cities and the units concerned must strengthen leadership, coordinate their efforts, and do a steady and good job in this work.

In order to strengthen leadership over this work, under the directions of the provincial party committee propaganda department, an office for straightening out newspapers and publications has been set up by the provincial public security department, industry and commerce administrative bureau, education commission, culture department, and federation of literature and art. The prefectures and cities have set up corresponding organs.

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CSO: 40050955

SICHUAN MAKES IDEOLOGICAL PREPARATIONS FOR 13TH CONGRESS

HK120143 Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 12 Aug 87

[Excerpts] Taking as its guiding ideas Comrade Deng Xiaoping's instructions and Comrade Zhao Ziyang's 13 May speech, the Sichuan Provincial Party Committee has recently organized the leading cadres at all levels to study in groups and batches the two books "Build Socialism with Chinese Characteristics" and "Adhere to the Four Cardinal Principles and Oppose Bourgeois Liberalization," thereby enhancing their understanding of the line of the 3d Plenary Session of the 11th CPC Central Committee and its two basic points and strengthening their resolve to be still more bold in reform and opening up and in building socialism with Chinese characteristics, thus making ideological preparations for the 13th Party Congress.

Through serious study, many leading comrades throughout the province have clarified their muddled ideas concerning certain issues. Some of them said: We are all executors, practitioners, and beneficiaries of the line of the 3d Plenary Session; we are the ones who have experienced this period of history. However, this does not necessarily mean that we understand things clearly. Although the central documents have said three times that China is in the initial stage of socialism, we failed to attach enough importance to this idea in the past. We now realize that understanding that China is in the initial stage of socialism is the basic starting point in formulating the party's line, principles, and policies, the theoretical basis for reform, opening up, and invigoration, and a key for correctly observing and handling problems and unifying the understanding of the cadres and masses.

Some comrades said: Comrade Ziyang has summarized the contents of the line of the 3d Plenary Session into the two basic points. This is a contribution toward Comrade Xiaoping's theory on building socialism with Chinese characteristics.

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SOUTHWEST REGION

REGIONAL

SICHUAN REPORTS COMPLETION OF PARTY RECTIFICATION

HK080317 Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 8 Aug 87

[Excerpts] According to SICHUAN RIBAO, after 3½ years, the party rectification work which commenced in Sichuan at the end of 1983 has been completed. Some 3.5 million party members in the province took part in this work.

Nie Ronggui, deputy secretary of the provincial party committee and deputy head of the committee's group for guiding party rectification, recently delivered a summation report on party rectification on behalf of the provincial party committee. The report said: The main results of this party rectification are as follows: 1) We have conducted relatively systematic ideological education throughout the party, thereby enhancing the party members' political quality. 2) We have seriously corrected various unhealthy trends and investigated and dealt with the major cases that have been exposed. The party style has improved in varying degrees. 3) We have conducted education in totally negating the Cultural Revolution, strengthening party spirit, eliminated factionalism, consolidated and developed stability and unity, and stimulated the solving of problems left over from history. 4) We have strengthened the building of the leadership groups and enhanced the fighting strength of the party organizations.

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WU ZHEN REPORTS ON PARTY RECTIFICATION WORK IN TIANJIN

SK080355 Tianjin TIANJIN RIBAO in Chinese 23 Jul 87 p 1

[Excerpts] The Tianjin Municipal CPC Committee held a meeting on 20-22 July to summarize party rectification work. The meeting declared that the municipality's party rectification work, which had started at the end of 1983, was completely finished after 3 years or so. The meeting called on party organizations at all levels to shift their focus of work from concentrated party rectification to regular party building in order to ensure that the line adopted at the 3d Plenary Session of the 11th Party Central Committee is implemented.

Comrade Wu Zhen pointed out: Through the party rectification in the new historical conditions, contradictions and problems within the party have correctly been handled; the party's ideology, workstyle, discipline, and organization have been consolidated; and party building has been strengthened. Some profitable experiences have been accumulated. Major experiences are: Party rectification and economic work have closely been linked with and promoted each other. After summarizing experiences and drawing lessons from previous party rectification work, we resolutely eliminated "leftist" practices, persisted in the methods of persuasion to conduct ideological education, and substantially strengthened leadership by linking general calls with specific instructions.

Comrade Wu Zhen pointed out: Our municipality still has many problems and shortcomings with regard to party rectification work. No great changes have taken place in some units after party rectification. A small group of units even carried out the work perfunctorily, while some basically conducted it in a perfunctory manner. Through remedial measures, some units still failed to score ideal results in it. With regard to seeking unity of thinking, some units have not paid much attention to the work of adhering to the four cardinal principles. Although some problems related to party style have been solved, there are still some problems related to selfishly abusing one's power and violating law and discipline; some problems are even serious. There is still the tendency to handle too leniently party members who did not bring their functions into play. Problems concerning disunity and incoordination of leading bodies, particularly, some grassroots leading bodies, have not been thoroughly solved. Party building, which is a task of long-term importance, cannot be accomplished at one stroke. Particularly, under the new situation

reform and opening up, new problems will certainly emerge. At the same time, a process is needed to solve these problems. It is unrealistic or impossible to solve all problems through party rectification; some have been resolved in the course of consolidating and developing the achievements in party rectification, while some should be resolved through further regular party building.

Comrade Wu Zhen stressed: Party rectification is completed in our municipality. We should regard this party rectification as a new starting point for strengthening party building in the new age to continue grasping party building and to conscientiously do a good job in transitioning from concentrated party rectification to regular party building. From now on, the basic task for regular party building is to ensure that the line adopted at the 3d Plenary Session of the 11th CPC Central Committee is implemented. We should thoroughly understand the line. The line has two basic points: one is to adhere to the four cardinal principles; the other to persist in reform, opening up, and economic invigoration. Since the two basic points are inseparable, the implementation of the two basic points in the course of conducting party building must be guaranteed. The party's ideological and organizational construction, its work toward cadres, and its discipline inspection work should embody this guiding ideology and should serve to implement the line adopted at the 3d Plenary Session of the 11th CPC Central Committee. In order to grasp party building, we should implement the principle of separating the party from government functions and the principle that the party should administer party affairs. If the party does not begin to administer party affairs, party building will not be strengthened. Comrade Wu Zhen set forth five proposals for strengthening party building, such as organizing party members and cadres to study Marxism-Leninism-Mao Zedong Thought, strengthening the construction of leading bodies, grasping education for party members, ceaselessly grasping the rectification of party style, and persisting in and perfecting various systems of inner-party activities.

In his speech at the conclusion of the meeting, Comrade Wang Xudong pointed out that Comrade Deng Xiaoping's speech, "On the Reform of the Party and State Leadership System," is a programmatic document for guiding national political reform. Thus, before the convocation of the Congress, we should conscientiously study this speech and Comrade Deng Xiaoping's important statements concerning political restructuring; should grasp their guidelines; should seek unity of thinking; should clearly understand the essence and importance of adhering to the four cardinal principles and persistently conducting reform, opening up, and economic invigoration; and clearly understand the significance, purpose, content, and principles of the political restructuring. Grasping this study is a guarantee that ideological preparations for the convocation of the 13th CPC Congress will be made, and also is a demand to strengthen party building.

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NORTHWEST REGION

REGIONAL

GANSU LEADER DISCUSSES CADRE SYSTEM REFORM

HK130157 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 12 Aug 87

[Excerpts] Hou Zongbin, deputy secretary of the provincial party committee, held a dialogue on political structural reform with some cadres and masses in Wuwei City on 12 August.

It is rather difficult to reform the cadre system. The key lies in discarding the life tenure system for posts and for pay and conditions and ensuring that cadres can go up and down and in and out. In this way the system will have vitality. The methods of openly hiring cadres and openly tendering for projects, now being practiced on a trial basis, represent an attempt at reforming the cadre system.

On the aim of political structural reform, Hou Zongbin said: The aim in both economic and political structural reform is to emancipate the productive forces. At present the various reforms are in a state of contradiction and conflict. Wuwei City is one of the provincial pilot projects in political structural reform. As such, whether your reforms succeed or fail, they will be useful and will provide experience for guiding political structural reform in the whole province in the future. Hence, you should be bold in exploring and making breakthroughs. If you make a breakthrough at a difficult point, you will have advanced a step. People should not shrink from being bold in exploration because of fear of mistakes and risks.

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